87-705
No. 87-

IN THE
Supreme Court of the United States
OCTOBER TERM, 1987

UNION PACIFIC RAILROAD COMPANY,
UNION PACIFIC CORPORATION,
MISSOURI PACIFIC RAILROAD COMPANY,
KANSAS CITY SOUTHERN INDUSTRIES, INC.,
KANSAS CITY SOUTHERN RAILWAY COMPANY,
BURLINGTON NORTHERN, INC.,
BURLINGTON NORTHERN RAILROAD COMPANY, AND
CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,
Petitioners,

v.

ENERGY TRANSPORTATION SYSTEMS, INC., AND
ETSI PIPELINE PROJECT, A JOINT VENTURE, *et al.*,
Respondents.

APPENDIX TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

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APPENDIX A

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 87-2177

IN RE: BURLINGTON NORTHERN, INC., BURLINGTON NORTHERN RAILROAD CO., UNION PACIFIC CORP., UNION PACIFIC RAILROAD CO., MISSOURI PACIFIC RAILROAD CO., KANSAS CITY SOUTHERN INDUSTRIES, INC., KANSAS CITY SOUTHERN RAILWAY CO. & CHICAGO & NORTH WESTERN TRANSPORTATION CO.,

Petitioners.

Petition For A Writ of Mandamus to The
United States District Court for the
Eastern District of Texas

(July 14, 1987)

Before BROWN, REAVLEY and JOLLY, Circuit Judges.

REAVLEY, Circuit Judge:

The plaintiffs in this antitrust suit claim that the defendant railroads conspired to prevent construction of a coal slurry pipeline. Contending, among other things, that the railroads accomplished their anticompetitive goal through filing and defending certain lawsuits, the plain-

tiffs seek discovery of documents relating to those lawsuits. The railroads resist discovery on the grounds of attorney/client privilege and work product immunity. The district court rejected this claim of privilege, holding that because the documents were prepared in furtherance of an illegal conspiracy they fall within the crime/fraud exception to the privilege. The railroads claim the protection of *Noerr-Pennington* for their litigation activities and seek a writ of mandamus. We conclude that the district court erred in allowing discovery without considering whether the litigation activities themselves were significantly motivated by a genuine desire for judicial relief. We reject, however, the railroads' contention that the district court is precluded from finding sham by the railroads' partial success in one of the lawsuits and their defensive posture in the other lawsuits.

I

Background

The underlying antitrust claim here arises from Energy Transportation Systems, Inc., and ETSI Pipeline Project's (collectively ETSI) unsuccessful attempt to build a coal slurry pipeline from Wyoming to Arkansas.[1] ETSI claims the defendant railroads, afraid of losing business to the pipeline, unlawfully conspired to prevent, or at least delay and make more expensive, the pipeline's construction by denying permission for it to cross their rights-of-way and by engaging in sham administrative and judicial challenges to ETSI attempts to secure crossing rights, water rights, and administrative permits. After more than ten years of trying to obtain all of the necessary rights, permits, and financing, ETSI abandoned the project in 1984. It now alleges that the proj-

[1] According to the parties, coal slurry is a mixture of ground coal and water. The slurry is pumped through the pipeline and then dried to be used as fuel. The proposed pipeline was later expanded to include delivery to utilities in Texas.

ect's failure was caused by the railroads' illegal conspiracy and seeks a judgment against the railroads of $4.2 billion in damages after trebling. This mandamus petition arises from ETSI's desire to obtain documents prepared in connection with the railroads' allegedly sham litigation activities. Specifically at issue here are documents from two groups of lawsuits.

A. *The Andrews Litigation*

The first group consists of consolidated lawsuits that the parties refer to as the *Andrews* litigation. The *Andrews* lawsuits were brought to invalidate a water contract between ETSI and the United States Department of the Interior that would allow ETSI to purchase water from the federal Oahe Reservoir in South Dakota for use in its pipeline. The plaintiffs in the lawsuits included three states—Missouri, Iowa, and Nebraska—several environmental and farmers' groups, and one of the defendant railroads—Kansas City Southern. Another railroad—Union Pacific—provided legal assistance through its attorneys to the state of Nebraska. The *Andrews* plaintiffs asserted numerous grounds for invalidating the contract; they have thus far been successful in their position that the Secretary of the Interior did not have statutory authority to execute the contract without the participation of the Army Corps of Engineers. *See Missouri v. Andrews*, 586 F.Supp. 1268 (D. Neb. 1984), *aff'd*, 787 F.2d 270 (8th Cir. 1986), *cert. granted*, 107 S.Ct. 1346 (1987).

B. *The Window Litigation*

The second group of lawsuits from which ETSI seeks documents consists of a series of suits ETSI brought to establish rights to cross the railroads' rights of way. In the very early stages of the pipeline project, ETSI attempted to negotiate the purchase of these crossing rights. When these efforts proved unavailing, allegedly

because of an unlawful agreement between the railroads to jointly withhold crossing rights, ETSI began locating places along the railroads' property where the railroads owned only an easement rather than a fee title. It then purchased easements from the underlying landowner and brought suit to establish that these easements were sufficient to allow it to cross under the railroads' tracks without the railroads' consent. The parties refer to these easements as windows and to ETSI's lawsuits as the window litigation. Apparently, ETSI was essentially successful in every one of these window suits, all of which involved virtually identical issues.

The railroads have refused to turn over many of the documents ETSI seeks on the ground of attorney/client privilege or attorney work product immunity. ETSI filed a motion to compel production of these withheld documents on the ground they were prepared in connection with a violation of the antitrust laws. The railroads argued in response that to obtain discovery ETSI had to show that their litigation activities were sham activities and thus not protected by the *Noerr-Pennington* doctrine.[2] A special master agreed with the railroads and concluded that ETSI had not made the requisite showing. The district court, however, disagreed and granted ETSI's motion. The railroads filed this petition for a writ of mandamus.

II

Justification For Mandamus Relief

Before reaching the merits, we must address ETSI's contention that a writ of mandamus is not an appropriate mechanism to review this discovery ruling. ETSI

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[2] This doctrine, described in detail below, derives from the decisions in *Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 81 S.Ct. 523, 5 L.Ed.2d 464 (1961), and *United Mine Workers v. Pennington*, 381 U.S. 657, 85 S.Ct. 1585, 14 L.Ed.2d 626 (1965).

correctly points out that "mandamus has historically been a drastic remedy generally reserved for really 'extraordinary' cases." *In re Equal Employment Opportunity Commission*, 709 F.2d 392, 394 (5th Cir. 1983) (citing *Kerr v. United States District Court*, 426 U.S. 394, 402, 96 S.Ct. 2119, 2123, 48 L.Ed.2d 725 (1976). It argues that because the district court's ruling was neither a "usurpation of judicial power" nor a "clear abuse of discretion," *see Bankers Life & Casualty Co. v. Holland*, 346 U.S. 379, 383, 74 S.Ct. 145, 148, 98 L.Ed. 106 (1953), we should dismiss the petition without reaching the merits.

In recent years, several courts have concluded that mandamus is an appropriate method of review of orders compelling discovery against a claim of privilege. *See United States Department of Energy v. Brimmer*, 776 F.2d 1554, 1559 (Temp. Emer. Ct. App. 1985), *cert. denied*, 106 S.Ct. 1261 (1986); *Sporck v. Peil*, 759 F.2d 312, 314-15 (3d Cir.), *cert. denied*, 106 S.Ct. 232 (1985); *Bogosian v. Gulf Oil Corp.*, 738 F.2d 587, 591-92 (3d Cir. 1984); *Diversified Industries, Inc. v. Meredith*, 572 F.2d 596, 599 (8th Cir. 1977); *Heathman v. United States District Court*, 503 F.2d 1032, 1033 (9th Cir. 1974); *Pfizer Inc. v. Lord*, 456 F.2d 545, 547-48 (8th Cir. 1972); *Harper & Row Publishers v. Decker*, 423 F.2d 487, 492 (7th Cir. 1970), *aff'd by an equally divided court*, 400 U.S. 348, 91 S.Ct. 479, 27 L.Ed.2d 433 (1971); *see also* 16 C. Wright, A. Miller, E. Cooper & E. Gressman, Federal Practice and Procedure § 3935, at 247-48 (1977). These cases have recognized the importance of the asserted privilege and the absence of an adequate alternative method of obtaining review. They also have relied on the seriousness and novelty of the privilege issue in the particular case. Respected commentators have similarly noted that the difficulty of obtaining effective review of discovery orders, the serious injury that sometimes results from such orders, and the

often recurring nature of discovery issues support use of mandamus in exceptional cases. 15 C. Wright, A. Miller & E. Cooper, Federal Practice and Procedure § 3914, at 576-77 (1976); 9 J. Moore, B. Ward & J. Lucas, Moore's Federal Practice ¶ 110.28, at 313 (2d ed. 1987).

We believe this case presents the exceptional circumstances making mandamus review appropriate. The district court's order directs production of several thousand documents for which attorney/client privilege and work product immunity have been asserted. These documents go to the heart of the controversy between the parties, and disposition of this petition, not only implicates the important policies protecting privileged documents but will likely have a determinative impact on the course of the case. Erroneous disclosure of these documents could be irreparable. It is also significant that, unlike the typical discovery order, the district court's order was not a mere discretionary one but rather turns on legal questions appropriate for appellate review. The issues here also have importance beyond the immediate lawsuit. The interrelationship of the attorney/client privilege's crime/fraud exception and the *Noerr-Pennington* doctrine with its sham limitation is a question which we do not find addressed in the decisions but which is likely to recur in future cases. Given the nature of the analysis required in an antitrust case in which a *Noerr-Pennington* defense is asserted and a question of sham is raised, communication between the attorney directing the petitioning activity and his client will be highly relevant. Under the district court's ruling, such communications could be discovered upon a showing that the petitioning was part of a larger conspiracy even though the petition itself might be protected from antitrust scrutiny. Such an important and potentially far-reaching decision, which we hold below to be erroneous, is an appropriate one for our immediate review.

III

Litigation That Serves A Larger Conspiracy

Turning to the merits, we first address the primary ground on which the district court concluded that discovery of the documents was proper. Although recognizing that *Noerr-Pennington* might ultimately immunize the railroads' petitioning activities from antitrust liability, the district court determined that documents relating to such activity are nonetheless not immune from discovery when they relate to a larger conspiracy that is actionable. The court found that ETSI's evidence established a prima facie case that such a larger conspiracy in fact existed—a conspiracy to defeat the pipeline by a strategy of delaying and interfering with its construction—and that the railroads had consulted and used their attorneys to further this conspiracy. In particular, the court found that the railroads' administrative and judicial challenges to ETSI permits and contracts and their defense of the window lawsuits were in furtherance of this conspiracy. Based on these findings alone, the court concluded that it could order discovery of the documents relating to the litigation. The court was thus able to order discovery without ever reaching the question whether the *Andrews* litigation and the defense of the window lawsuits were sham. In making this ruling, the district court relied on cases from other circuits holding that *Noerr-Pennington* is not a bar to discovery. *See, e.g., Associated Container Transportation (Australia) Ltd. v. United States*, 705 F.2d 53 (2d Cir. 1983); *North Carolina Electric Membership Corp. v. Carolina Power & Light Co.*, 666 F.2d 50 (4th Cir. 1981). In those cases, however, no claim of attorney/client privilege was asserted and the sole question was whether *Noerr-Pennington* alone barred discovery. The issue here is whether the attorney/client privilege bars discovery in the face of a claim that the communications relate to a crime or fraud. *Noerr-Pennington* is relevant only to the extent it determines whether a crime or fraud has been shown.

The broad-brush approach of the district court gives too little attention to the policies behind both the *Noerr-Pennington* doctrine and the privileges at stake here.[3] The basis for *Noerr-Pennington* immunity has been well documented. In *Noerr*, the Supreme Court was presented with a claim that an association of railroads had violated the antitrust laws by engaging in a massive publicity campaign designed to influence legislative and executive action against the trucking industry. The Court determined that the railroads' activity did not fall within the ambit of the antitrust laws. It stressed the importance in a representative democracy of the right of persons to "freely inform the government of their wishes." 365 U.S. at 137, 81 S.Ct. at 529. The Court also felt that construing the antitrust laws to reach the railroads' activity would raise "important constitutional questions" regarding the right to petition government and that it could not "lightly impute to Congress an intent to invade these freedoms." *Id.* at 138, 81 S.Ct. at 530. *Pennington* reaffirmed *Noerr*, holding that "[j]oint efforts to influence public officials do not violate the antitrust laws even though intended to eliminate competition. Such conduct is not illegal, either standing alone or as

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[3] The remainder of this opinion demonstrates that the parties dispute several points in this petition. A few things, however, are not in dispute. For the purposes of its ruling, the district court assumed that the railroads had an otherwise valid claim of privilege or immunity and that the documents would not be discoverable absent the crime/fraud exception. Thus we are not presented with any question about the initial existence of privilege or immunity. The parties also do not challenge the district court's conclusion that a civil violation of the antitrust laws is a "crime" or "fraud" for purposes of abrogating the attorney/client privilege. *See Pfizer Inc. v. Lord*, 456 F.2d 545 (8th Cir. 1972). Finally, there is no dispute over the district court's ruling that ETSI's burden in seeking discovery is to make out a prima facie case that the documents were prepared in furtherance of a crime or fraud. *In re International Systems & Controls Corporation Securities Litigation*, 693 F.2d 1235, 1242 (5th Cir. 1982).

part of a broader scheme itself violative of the Sherman Act." 381 U.S. at 670, 85 S.Ct. at 1593.

The Court in *Noerr* acknowledged, in a statement that is the genesis of the current "sham" doctrine, that some petitions, "ostensibly directed toward influencing governmental action, [may be] a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor and the application of the Sherman Act would be justified." *Id.* at 144, 81 S.Ct. at 533. The railroads were protected, however, because they "were making a genuine effort to influence legislation." *Id.* The principle thus emerging from these decisions is that genuine efforts to influence governmental decisionmaking are to be encouraged, not penalized through application of the antitrust laws. Protection exists even though the petitioner's avowed purpose is to eliminate a competitor and even though the petitioner may be engaged in a larger unprotected scheme designed to do just that. Despite the potential anti-competitive effects of petitioning so motivated and occurring in such a context, the Supreme Court has made the policy choice to "assure 'uninhibited access to government policy makers.'" *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1363 (5th Cir. 1983) (quoting *George R. Whitten Jr., Inc. v. Paddock Pool Builders, Inc.*, 424 F.2d 25, 32 (1st Cir.), *cert. denied*, 400 U.S. 850, 91 S.Ct. 54, 27 L.Ed.2d 88 (1967)).

A similar policy choice underlies the attorney/client privilege and work product immunity. The attorney/client privilege rests on the need to "encourage full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and administration of justice." *Upjohn Co. v. United States*, 449 U.S. 383, 389, 101 S.Ct. 677, 682, 66 L.Ed.2d 584 (1981). The privilege's "benefits are all indirect and speculative; its obstruction is plain

and concrete." 8 J. Wigmore, Evidence § 2291 (McNaughton rev. 1961). Yet the privilege survives, based on the recognition that "sound legal advice or advocacy serves public ends and that such advice or advocacy depends upon the lawyer's being fully informed by the client." *Upjohn*, 449 U.S. at 389, 101 S.Ct. at 682. The privilege, of course, is subject to several exceptions, notably the crime/fraud exception asserted here. The crime/fraud exception recognizes that because the "client has no legitimate interest in seeking legal advice in planning future criminal activities," *In re International Systems & Controls Corporation Securities Litigation*, 693 F.2d 1235, 1242 (5th Cir. 1982), society has no interest in facilitating such communications. Thus the exception demonstrates the policy: persons should be free to consult their attorney for legitimate purposes.

Work product immunity similarly derives from the desire to facilitate effective advocacy. Despite a broad policy in favor of liberal discovery, immunity exists for a lawyer's work product to protect the lawyer's ability to "work for the advancement of justice while faithfully protecting the rightful interests of his clients." *Hickman v. Taylor*, 329 U.S. 495, 510, 67 S.Ct. 385, 393, 91 L.Ed. 451 (1947). Just as with disclosure of communications between attorney and client, discovery of the attorney's "written statements, private memoranda and personal recollections," *id.*, would inhibit the attorney's effort to fully explore and develop the position he has been asked to advocate. Indeed, recognition of this degree of similarity between the attorney/client privilege and work product immunity has led this court and others to hold that both are subject to the same crime/fraud exception. *International Systems*, 693 F.2d at 1242; *In re Antitrust Grand Jury*, 805 F.2d 155, 164 (6th Cir. 1986); *In re Sealed Case*, 676 F.2d 793, 812 (D.C. Cir. 1982); *In re John Doe Corp.*, 675 F.2d 482, 492 (2d Cir. 1982);

In re Grand Jury Proceedings, 604 F.2d 798, 803 (3d Cir. 1979).[4]

The district court erred in ordering discovery without considering whether the specific litigation activities were illegitimate. The attorney/client privilege and work product immunity protect communications and papers generated when a client engages his attorney for legitimate purposes. To the extent the railroads sought out their attorneys to bring lawful suits and consulted with them in connection with such suits, they were within the scope of this protection. That the railroads might also have consulted and received the help of their attorneys in connection with other activities that are not lawful does not change this conclusion. The focus must be narrowed to the specific purpose of the particular communication or document. To the extent the document deals with a protected activity, it is immune from discovery.

To hold otherwise would unduly infringe on the protection *Noerr-Pennington* extends to petitioning activities genuinely intended to influence governmental action, even though part of a larger scheme of anticompetitive conduct. The Supreme Court has recognized that such activities are desirable, and the attorney/client privilege and work product immunity further the policy behind this recognition by facilitating petitioning activity that, as in this case, requires the assistance of attorneys. To permit discovery of the documents withheld in this case on the basis of a larger conspiracy by the railroads would undermine the effectiveness of the very type of petitioning the Supreme Court's decisions have protected. Therefore to the extent ETSI seeks material directly connected with the railroads' litigation activities, the dis-

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[4] Work product material, unlike attorney/client communications, is subject to discovery under the provisions of Fed. R. Civ. P. 26(b)(3). Although ETSI has sought discovery under Rule 26 in the district court, this issue is not before us on this petition for mandamus.

trict court cannot order discovery without first determining that the litigation activity was itself in violation of the antitrust laws. In the context of this case, that determination will require resolution of the question whether the litigation was a sham.[5] We now turn to that question.

IV

District Court's Failure to Find Sham

ETSI argues that the district court, aside from its reasoning discussed in the preceding section of this opinion, made a factual determination that the railroads' litigation activities were sham. It attempts to show that this determination was correct and urges this court to deny the writ of mandamus on this basis. The railroads deny that the district court made any factual determination of sham.

We agree with the railroads that the district court failed to make an adequate finding that the railroads' litigation activities were sham. It is true, as ETSI contends, that the district court's memorandum opinion states that the railroads "were not engaged in a bona fide effort to secure governmental action." As we discuss below, this is essentially the conclusion that must be

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[5] Our direction here that the court must focus on the specific relationship of the communication to a protected activity is consistent with our earlier holding that piercing a claim of privilege through the crime/fraud exception requires a showing that the material "reasonably relate[s] to the fraudulent activity." *International Systems*, 693 F.2d at 1243. As the court from which we adopted this test stated, "[t]he exact formulation of a 'test' for relatedness is less important than an understanding of what the test must accomplish: easy differentiation between material for which the law should not furnish the protections of a privilege and material for which a privilege should be respected." *In re Sealed Case*, 676 F.2d 793, 815 n.91 (D.C. Cir. 1982). In this case, we have determined that the policies behind *Noerr-Pennington* require protection for material that is directly in furtherance of lawful litigation activity.

reached to decide that petitioning activities are not protected by *Noerr-Pennington*. Reading the opinion as a whole, however, it is apparent that the district court did not make the detailed factual inquiry necessary to support this conclusion. Instead, the district court relied on its conclusion that ETSI had made a prima facie showing that the railroads had engaged in an overall conspiracy to defeat the pipeline and that the petitioning was connected with this conspiracy. The court concluded that "[t]his connection . . . taints the entire petitioning process with sham."

We have already rejected the district court's attempt to rely on the alleged overall conspiracy to directly abrogate the railroads' privilege. For similar reasons, we now reject reliance on the overall scheme in connection with finding sham. As we discussed earlier, the Supreme Court held in *Pennington* that genuine petitioning activities are "not illegal, either standing alone or as part of a broader scheme itself violative of the Sherman Act." 381 U.S. at 670, 85 S.Ct. at 1593. Based on this language, this court has held that antitrust liability cannot be predicated on otherwise protected litigation activity merely because the activity was part of a broader conspiracy. *Feminist Women's Health Center, Inc. v. Mohammad*, 586 F.2d 530, 543 (5th Cir. 1978), *cert. denied*, 444 U.S. 924, 100 S.Ct. 262, 62 L.Ed.2d 180 (1979); *see also Hospital Building Co. v. Trustees of Rex Hospital*, 691 F.2d 678, 688 (4th Cir. 1982), *cert. denied*, 464 U.S. 890, 104 S.Ct. 231, 78 L.Ed.2d 224 (1983); *Alexander v. National Farmers Organization*, 687 F.2d 1173, 1195 (8th Cir. 1982). The holding in *Pennington* requires attention to the narrow petitioning activity at issue. The fact finder must determine, as to the particular petition, whether the petitioner was engaged in a genuine effort to influence governmental decisionmaking. If so, then antitrust liability cannot be based on that activity and the attorney/client privilege

and work product immunity for documents directly related to the activity remain intact.

In relying on the overall scheme theory to find sham, the district court relied primarily on the Ninth Circuit's decision in *Clipper Exxpress v. Rocky Mountain Motor Tariff Bureau, Inc.*, 690 F.2d 1240 (9th Cir. 1982), *cert. denied*, 459 U.S. 1227, 103 S.Ct. 1234, 75 L.Ed.2d 468 (1983). That decision, however, does not support the district court's ruling. The court there reversed a grant of summary judgment to the defendants in an antitrust case in which the alleged anticompetitive conduct consisted of petitioning and other unlawful activity. The Ninth Circuit held that summary judgment was improper even if *Noerr-Pennington* protected the petitioning because if "Clipper can prove that the defendants engaged in activities which violated the antitrust laws, those violations do not become immune simply because the defendants used legal means—protests before the ICC—as a means to enforce the violations." *Id.* at 1264. The court's holding was that *Noerr-Pennington* "provides immunity only for the narrow petitioning activity," *id.* at 1265, and that this immunity does not provide "overall immunity" to other violations, *id.* at 1263. The court did not hold, and could not hold consistently with *Pennington*, that the overall scheme makes the otherwise protected petitioning a sham.

V

Sham Petitioning

In their petition for mandamus, the railroads ask that we direct the district court to adopt the special master's tentative ruling that the railroads' litigation activities were not sham as a matter of law. The railroads assert that the *Andrews* lawsuits cannot be found to be a sham because the railroads were successful. As to the window lawsuits, they assert no sham can be found because of the railroads' defensive posture. We disagree.

A. *Successful Lawsuits as Sham*

The argument that successful petitioning can never be a sham and thus subject to antitrust scrutiny is an appealing one. As this court has recognized, it is "difficult to conclude that the filing of a complaint constitutes a sham where the party seeking relief actually prevails." *Mid-Texas Communications Systems, Inc. v. AT&T*, 615 F.2d 1372, 1383 (5th Cir.), *cert. denied*, 449 U.S. 912, 101 S.Ct. 286, 66 L.Ed.2d 140 (1980); *see also Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250, 1257 & n.17 (9th Cir. 1982). As we discuss below, this is because success on the merits is forceful evidence that the petitioner did in fact wish to influence the governmental decision and obtain the relief prayed for.

We cannot, however, lay down a categorical rule that successful petitioning can never be a sham.[6] In *Coastal*

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[6] The commentators take varying positions on the question whether a successful suit can be considered a sham. Areeda and Hovenkamp state generally that "successful judicial action is not a 'sham,'" but add the caveat that this is "merely a strong presumption, rather than a categorical rule." P. Areeda & H. Hovenkamp, Antitrust Law 11, 13 (Supp. 1986). They also refer approvingly to our decision in *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358 (5th Cir. 1983), the decision upon which we now rely to hold that some successful petitioning may be found to be sham. Areeda, at 16 ("Perhaps we cannot hope to be more precise than to say with the Fifth Circuit's *Coastal States* decision that a litigant 'should enjoy petitioning immunity from the antitrust laws so long as a genuine desire for judicial relief is a significant motivating factor underlying the suit.'").

Kinter and Bauer note that success is strong evidence of a legitimate petition, but state that even successful claims may be considered to be sham. Kinter & Bauer, *Antitrust Exemptions for Private Requests for Governmental Action: A Critical Analysis of the* Noerr-Pennington *Doctrine*, 17 U.C. Davis L. Rev. 549, 576 (1984).

Handler and DeSevo assert that success on the merits absolutely precludes a finding of sham. Handler & DeSevo, *The* Noerr *Doc-*

States Marketing, Inc v. Hunt, 694 F.2d 1358 (5th Cir. 1983), we considered the circumstances under which litigation activities can be held to be a sham. We held that a "litigant should enjoy immunity from the antitrust laws so long as a genuine desire for judicial relief is a significant motivating factor underlying the suit." *Id.* at 1372. Our statement of this test flowed from *Noerr*'s teaching that sham petitioning is that which, although "ostensibly directed toward influencing governmental action, is a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor." 365 U.S. at 144, 81 S.Ct. at 533. *Coastal States* recognized that the key to extending *Noerr-Pennington* protection is whether the antitrust defendant genuinely was attempting to influence governmental decisionmaking. If the defendant's intent was not to influence the government and obtain relief, but rather to harm a competitor through the mere invocation and maintenance of the process, he is not entitled to protection because he is not exercising the right of petition that formed the basis for the decision in *Noerr*. *See Clipper Exxpress*, 690 F.2d at 1255; *see also Litton Systems, Inc. v. AT&T*, 700 F.2d 785, 810 (2d Cir. 1983), *cert. denied*, 464 U.S. 1073, 104 S.Ct. 984, 79 L.Ed 2d 220 (1984); *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466, 472 (7th Cir. 1982), *cert. denied*, 461 U.S. 958, 103 S.Ct. 2430, 77 L.Ed.2d 1317 (1983); *City of Gainesville v. Florida Power & Light Co.*, 488 F.Supp. 1258, 1265-66 (S.D. Fla. 1980); P. Areeda & H. Hovenkamp, Antitrust Law 7 (Supp. 1986) (hereinafter

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trine and Its Sham Exception, 6 Cardozo L. Rev. 1, 30-31 (1984). This view is based on their reading of *Noerr* and *Pennington* to preclude any examination of the petitioner's intent for any purpose. As we discuss below, we read *Noerr*'s statement that sham petitioning is that which is not genuinely intended to influence governmental decisionmaking to require an examination of the litigant's intent to the extent of asking whether the petition was motivated by a desire for the relief sought.

Areeda) ("When the antitrust defendant had not truly sought to influence a governmental decision, his invocation of governmental machinery is a sham.").

The *Coastal States* test for determining when petitioning activities are a sham recognizes that the "usual litigant will base its decision to sue on a number of factors." *Coastal States*, 694 F.2d at 1371. It focuses attention on the factors motivating the *initiation* and *prosecution* of the suit. Thus, it is not dispositive that the ultimate relief will be beneficial to the petitioner and will serve his purposes. It must be shown that the desire for relief was a significant factor underlying the actual bringing and prosecution of the suit. This requires an examination of the litigant's intent. *Cf. Greenwood Utilities Commission v. Mississippi Power Co.*, 751 F.2d 1484, 1498 n.9 (5th Cir. 1985) ("[D]etermining whether the petitioning conduct was a sham often involves questions of motive or subjective intent."). It is important to note, however, that this inquiry is limited to the immediate purpose for the litigation. *Noerr* and *Pennington* hold that anticompetitive intent does not make petitioning a sham. *Noerr*, 365 U.S. at 138-40, 81 S.Ct. at 530-31; *Pennington*, 381 U.S. at 669-70, 85 S.Ct. at 1593. Thus, the entire effort may be part of an antitrust conspiracy, without which there would have been no litigation. The issue of intent that controls is whether the litigant wished to obtain his anticompetitive end through obtaining court-ordered relief or simply through the filing and maintenance of the lawsuits.

Our interpretation of the sham doctrine in *Coastal States* makes clear that success on the merits does not necessarily preclude an antitrust plaintiff from proving that the defendant's earlier litigation activities were sham. The determinative inquiry is not whether the suit was won or lost, but whether it was significantly motivated by a genuine desire for judicial relief. Of course, the success of the claim presented is persuasive evidence

that the litigant in fact wanted the relief. It is highly unlikely that a party with a meritorious claim will not be significantly motivated by a desire to obtain relief on that claim. Thus, an antitrust plaintiff attempting to base liability on successful petitioning must overcome a strong inference that *Noerr-Pennington* applies and in many cases may be unable to do so. But reliance on the success of the earlier claim cannot substitute for proper consideration of any evidence the plaintiff might provide of the petitioner's motivation.

To be sure, "[d]etermining what efforts are not bona fide petitions to the government . . . is a difficult task." *Greenwood Utilities*, 751 F.2d at 1498. Drawing the line at successful petitions—or at petitions that had a reasonable basis—would simplify this task somewhat. But we cannot say that important cases will not exist in which the evidence establishes that, despite having a meritorious claim, a party was motivated not by a desire to obtain relief but to harass and interfere with the activities of a competitor through the process itself. *Accord Grip-Pak*, 694 F.2d at 472. In this case, for example, ETSI claims the railroads were not interested in obtaining relief from the court in *Andrews* because the railroads realized their goal of defeating the pipeline depended primarily on delaying the project to the point it became so expensive to be infeasible as a competitive enterprise. It presents evidence that railroads made the decision to participate in the litigation without consideration of the possible merit of the suit. Of course, that the railroads realized that the delaying value of their lawsuit would aid their goal does not necessarily mean they did not in fact want relief from the court. But if ETSI can sustain its burden to show that the railroads were not significantly motivated by a "genuine desire for judicial relief," *Coastal States*, 694 F.2d at 1372, the railroads should not be able to invoke *Noerr-Pennington* as

a shield to discovery of documents relating to that litigation.[7]

The preceding discussion should not be taken as a suggestion that the reasonableness of a suit is irrelevant for all purposes. We have concluded that objective reasonableness—as manifested by the court's grant of relief on the claim—should not protect a person who was not genuinely exercising his right to petition. However, as our discussion below of standing indicates, we believe that a complete lack of reasonableness necessarily must deprive a person of protection. A party who invokes the governmental decisionmaking process must have a reasonable basis for believing his claim might prevail. In other words, the requirement in *Noerr* and *Coastal States* that petitioning be motivated by a *genuine* desire for relief means that the desire for relief must be both honest and

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[7] Judge Jolly disagrees at this point and argues that *Bill Johnson's Restaurants, Inc. v. NLRB*, 461 U.S. 731, 103 S.Ct. 2161, 76 L.Ed.2d 277 (1983), dictates that *Noerr-Pennington* protection be extended to any case that has a reasonable legal and factual basis. The question in that case was whether the NLRB could enjoin a state court proceeding that had a reasonable basis on the ground that it was motivated by a desire to retaliate against striking employees. The Court held that it could not. The Court did not, however, state a constitutional rule that all lawsuits with a reasonable basis are immune from the application of otherwise valid regulation. Rather, it construed congressional intent behind the NLRA in light of the constitutional right to petition and earlier Supreme Court cases that have held that the NLRA does not preempt states from providing a civil remedy for tortious conduct occurring during a labor dispute. *Id.* at 740-44, 103 S.Ct. at 2168-70. Given the constitutional implications and the lack of preemption, the Court concluded that the NLRA does not empower the Board to enjoin lawsuits solely on the basis of retaliatory motive. The Court did not define sham for purposes of the antitrust laws, nor did it consider the situation in which the litigant, in addition to having a motive generally proscribed by the regulation at issue, also has no significant desire to obtain the relief prayed for. We therefore find no inconsistency between *Bill Johnson's* and our reading of Fifth Circuit controlling precedent in the antitrust area.

reasonable. This requirement serves the purpose of withholding protection from those persons who are not entitled to it, while at the same time recognizing the "wise policy [of] hold[ing] business actors to a standard of reasonable care in using governmental machinery." Areeda, at 11; *see also id.* at 7 ("To be sure, [a petitioner] would always be pleased to obtain a governmental decision against his rival. But where he had no reasonable expectation of obtaining the favorable ruling, his effort to do so was a sham."); *Litton Systems, Inc. v. AT&T*, 700 F.2d 785, 811-12 (2d Cir. 1983), *cert. denied*, 464 U.S. 1073, 104 S.Ct. 984, 79 L.Ed.2d 220 (1984).[8]

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[8] Professors Areeda and Hovenkamp also state that they would not withhold protection from a person who "had a reasonable claim in the other forum but did not subjectively know it." Areeda, at 10. They point to "[d]oubt about the wisdom of punishing such a person" and "the difficulty of properly proving subjective intent in the first place." *Id.* This statement seems to adopt a purely objective approach to determining sham. We disagree. As our discussion of successful petitioning demonstrates, the Supreme Court's decisions, as interpreted by this court and others, necessarily entail an examination of the petitioner's subjective motivations. Moreover, aside from the binding force of this precedent, we are not persuaded by the reasoning against subjecting some persons with objectively reasonable claims to antitrust scrutiny. Rather than punishing a person for simply not knowing the reasonableness of his claim, our ruling withholds *Noerr-Pennington* protection from persons who do not care about the reasonableness of their claim and who bring claims for the improper purpose of harming a competitor through the mere invocation of governmental decisionmaking processes. We do not believe the difficulty of inquiring into intent justifies a different rule; if a plaintiff can adduce sufficient evidence to overcome the strong inference that persons with meritorious claims wish to obtain relief upon them we believe he should prevail. We cannot endorse a rule that would require a court to blindly extend protection in the face of evidence that the party was in fact not exercising the protected right to petition. We also note that Areeda and Hovenkamp themselves would not preclude applying the antitrust laws to all petitions that had a reasonable basis. As noted earlier, *supra* note 9, they leave open the possibility of holding some successful petitions to be sham.

B. *Lack of Standing as Sham*

The requirement of reasonableness raises a second, albeit related, reason why we decline to adopt the railroads' argument that the result in the *Andrews* lawsuits precludes finding a sham. The one railroad who joined the *Andrews* litigation as a party—Kansas City Southern (KCS)—was initially dismissed for lack of standing. The court later vacated that ruling as to some of KCS's claims when KCS filed an amended complaint and additional affidavits as to its interest in the case. However, because the court had already ruled on the merits and granted an injunction in favor of the plaintiffs who had standing, it declined to finally resolve KCS's standing. On appeal, the Eighth Circuit also found it unnecessary to resolve KCS's standing, as it agreed with the district court's ruling that the state plaintiffs had standing and affirmed the injunction on that basis. *Missouri v. Andrews*, 787 F.2d 270, 274 (8th Cir. 1986), *cert. granted*, 107 S.Ct. 1346 (1987).

We do not believe *Noerr-Pennington* extends to a litigant who has not properly invoked a court's power to act in a case, even though the petitioner may otherwise genuinely desire relief on a meritorious claim. Unlike the legislative arena, substantial limits exist on the ability of persons to pursue claims in the courts. In particular, a person whose interest in a controversy is not sufficient to confer standing has no right to petition the court as a party and obtain relief. Thus, a person cannot reasonably claim that his participation in a lawsuit in which he has no standing is a genuine attempt to influence governmental decisionmaking. Of course, a person has a right to assert his claim of standing along with his claim on the merits and seek to influence the court to recognize his interest in the controversy. Thus, to the extent the litigant has a reasonable basis for believing that his claim of standing might be accepted by the court, and thus that he will have the right to participate in the litigation proc-

ess and obtain relief, he will be protected by *Noerr-Pennington* even though he ultimately loses.[9] But a bystander to a controversy who either knows he has no standing or who has no reasonable basis for asserting standing but who nonetheless files or joins in a lawsuit cannot claim the protection *Noerr-Pennington* extends to genuine attempts to influence judicial decisionmaking. *See Landmarks Holding Corp. v. Bermant*, 664 F.2d 891, 896 (2d Cir. 1981) (defendants appealed from zoning commission decisions "knowing that they lacked standing to do so"); *cf. MCI Communications Corp. v. AT&T*, 708 F.2d 1081, 1156 (7th Cir. 1983) ("There can be no genuine attempt to petition the government when the petitioners know in advance that the governmental body lacks the authority to take the action desired."), *cert. denied*, 464 U.S. 891, 104 S.Ct. 234, 78 L.Ed.2d 226 (1983).[10]

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[9] ETSI devotes considerable argument in its brief to their claim that the railroads had no "legitimate interest in the outcome" of the *Andrews* litigation. To the extent this argument goes to the point we have just made in the text that parties without a reasonable basis for asserting standing are not protected by *Noerr-Pennington*, we agree. We disagree, however, if ETSI's claim goes beyond that to suggest that the railroads are not protected because they may have had no interest in the substantive law upon which the *Andrews'* court granted its relief. If the railroads' interest is such that they had a reasonable claim of standing, then their interest was sufficient to allow them the protected right to seek to influence the court's decision and obtain relief. That their motivation may have been to harm ETSI rather than to promote proper exercise of authority between the Department of Interior and the Army Corps of Engineers is irrelevant. *See Noerr*, 365 U.S. at 139-40, 81 S.Ct. at 531 ("[I]nsofar as the railroads' campaign was directed toward obtaining governmental action, its legality was not at all affected by any anticompetitive purpose it may have had.").

[10] The *Andrews* district court did sustain the railroads' claim of standing as to some claims (none of which formed the basis for the ruling in that case), but we do not believe this to be dispositive. If the railroads did not actually and reasonably expect to prevail on the claims for which they had standing, or if that ex-

The participation of the only other railroad actively involved in the *Andrews* litigation—Union Pacific—raises similar difficulties. Unlike KCS, Union Pacific never attempted to join the litigation as a party. Instead, it provided legal assistance through its attorneys to the state of Nebraska, a named plaintiff in one of the suits. Union Pacific paid the fees of its attorneys for this assistance, which apparently involved extensive research assistance and document drafting. The parties dispute the precise role Union Pacific played in Nebraska's decision to seek its assistance and to file suit. The parties also dispute the degree to which others in the litigation were aware of Union Pacific's involvement, but it appears to be largely agreed that most parties, as well as the district court itself, were unaware that Nebraska was being assisted.

Union Pacific's activity presents difficult questions regarding the scope of *Noerr-Pennington*'s protection and the constitutional right to petition. The railroads have argued that *Noerr* itself answers these questions in favor of protecting Union Pacific's activities. In *Noerr*, the railroad industry hired a public relations firm to conduct their publicity campaign against the trucking industry. Much of the campaign was carried out through a "third-party technique, that is, the publicity matter circulated in the campaign was made to appear as spontaneously expressed views of independent persons and civic groups, when, in fact, it was largely prepared and produced by [the public relations firm] and paid for by the railroads." 365 U.S. at 130, 81 S.Ct. at 525. The Supreme Court rejected the lower court's view that this aspect of the railroads' activity justified application of the antitrust laws.

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pectation was not a significant motivating factor underlying their decision to bring the suit, the existence of those claims should not protect them.

The railroads here argue that the holding in *Noerr* dictates that Union Pacific's assistance to Nebraska, which they assert was more benign than the misleading conduct in *Noerr*, be protected. We disagree. As the Court's subsequent decision in *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609, 30 L.Ed.2d 642 (1972), makes clear, significant differences exist between attempts to influence legislative decisionmaking and attempts to influence the judiciary. *Noerr* emphasized the highly political nature of the railroads' petitioning activities and Congress's traditional caution "in legislating with respect to problems relating to the conduct of political activities." *Noerr*, 365 U.S. at 141, 81 S.Ct. at 531. In contrast, as we noted above, the right to petition the courts and the methods that properly may be used in such petitioning have been carefully circumscribed. *Cf.* 1 P. Areeda & D. Turner, Antitrust Law 48 (1978) ("[T]he legislative and judicial reluctance to regulate political activities has never affected litigation."). We do not believe that *Noerr*'s extension of protection to the railroads' publicity campaign controls the disposition of the issue of protection for Union Pacific's activities.

Indeed, we believe it would be an unwarranted extension of *Noerr-Pennington*'s protection to hold that a party without an interest in a case sufficient to allow it to directly petition the courts may nonetheless indirectly seek its anticompetitive goals through encouraging and assisting the lawsuits of others.[11] *Noerr* was based largely on the principle that government relies to a large degree on the "ability of persons to make their wishes known to government." 365 U.S. at 137, 81 S.Ct. at 529.

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[11] Our discussion here assumes, without deciding, that Union Pacific had no reasonable claim of standing to participate in *Andrews*. Should the district court determine that Union Pacific had such a claim, the mere fact that Union Pacific did not actually formally join the litigation does not deprive it of protection.

It further recognized that prohibiting those with a competitive interest in governmental action from petitioning the government as to that action would "deprive the government of a valuable source of information and, at the same time, deprive the people of their right to petition in the very instances in which that right may be of the most importance to them." *Id.* at 139, 81 S.Ct. at 531. In this case, however, our holding subjects to antitrust scrutiny only those persons whose interests are such that Congress or the courts have independently determined not to be the proper parties to assert the claim in court. To the extent a party has an interest in a case sufficient to support a reasonable claim of standing, his efforts to directly or indirectly participate in the litigation are protected. We do not believe that the policies behind *Noerr-Pennington* dictate any greater protection than this.

We recognize the constitutional underpinnings of the *Noerr-Pennington* doctrine and that Union Pacific's activities to some degree implicate constitutional protections. *See NAACP v. Button*, 371 U.S. 415, 83 S.Ct. 328, 9 L.Ed.2d 405 (1963) (protecting the NAACP's right to advise persons of their legal rights and solicit their involvement in racial discrimination suits); *In re Primus*, 436 U.S. 412, 98 S.Ct. 1893, 56 L.Ed.2d 417 (1978) (protecting the ACLU's right to give legal advice and solicit involvements in lawsuits). The First Amendment, however, does not extend blanket protection to all activities involving association together to pursue goals through litigation. In *Ohralik v. Ohio State Bar Association*, 436 U.S. 447, 98 S.Ct. 1912, 56 L.Ed.2d 444 (1978), for example, the Court held that a state may prohibit lawyer solicitation in circumstances that are conducive to fraud, undue influence, and other forms of vexatious conduct. The Court has also "recognized the strong governmental interest in certain forms of economic regulation, even though such regulation may have

an incidental effect on rights of speech and association." *NAACP v. Claiborne Hardware Co.*, 458 U.S. 886, 912, 102 S.Ct. 3409, 3425, 73 L.Ed.2d 1215 (1982).

We believe that the interests supporting application of the antitrust laws to prohibit and penalize anticompetitive conduct are sufficiently strong to dispel any constitutional difficulties in withholding *Noerr-Pennington* protection from persons who, without the right to petition the courts directly, seek to further their anticompetitive goals through funding, encouraging, and assisting the lawsuits of others.[12] We do not believe the First Amendment protects a competitor's right to accomplish economic predation through such means. Unlike the regulations struck down in *Button* and *Primus*, which broadly prohibited all solicitation activities of the NAACP and ACLU without a showing of any substantive evil flowing from such activity, withholding *Noerr-Pennington* protection here simply opens the door for ETSI to show that Union Pacific's activity was harmful anticompetitive conduct. The governmental interest in allowing this showing to be made, coupled with the weak claim to protection for such activity, amply justifies our holding here.

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[12] Our conclusion here results in the possible piercing of Union Pacific's claim of privilege for documents prepared in connection with the *Andrews* litigation. We do not address the extent to which these documents, or documents prepared in connection with KCS's participation in the litigation, might still be immune from discovery because of a privilege held by the state of Nebraska or other parties involved in that litigation. Indeed, after the district court's ruling granting ETSI's motion to compel discovery, Nebraska and others involved in the *Andrews* litigation sought a protective order from the district court against disclosure of documents as to which they hold a privilege. The district court did not rule on that motion because of the pendency of the present petition. These parties have filed amicus briefs in this court urging that we recognize their claims of privilege, especially in light of the pendency of the *Andrews* case before the Supreme Court. We are confident the district court in any further rulings on ETSI's discovery motions will act to safeguard any viable privilege these parties hold.

C. *Defending Lawsuits as Sham*

The railroads also argue that their participation in the window lawsuits cannot be a sham as a matter of law because they were defendants in those lawsuits. This point need not detain us long. We certainly agree with the Seventh Circuit's observation that one "cannot start a suit . . . and then sue the defendant for refusing to default." *Brunswick Corp. v. Riegel Textile Corp.*, 752 F.2d 261, 272 (7th Cir. 1984), *cert. denied*, 472 U.S. 1018, 105 S.Ct. 3480, 87 L.Ed.2d 615 (1985). But the allegations made and evidence presented by ETSI go beyond that. ETSI claims the railroads knew that they had no viable defense in those suits but that they nonetheless filed defensive pleadings and sought discovery for the purpose of further delaying the pipeline project and obtaining information that could be used in other forums to hinder the project. ETSI points out that it was successful in obtaining the relief it sought in each of the window lawsuits it filed and that the railroads continued to litigate each case long after their arguments had been repeatedly rejected by the courts.

We believe that ETSI's claims, if found by the district court to be supported by prima facie evidence, are sufficient to deprive the railroads' defense of the window litigation of *Noerr-Pennington* protection. We perceive no reason to apply any different standard to defending lawsuits than to initiating them. Therefore, to the extent the railroads' activities in the window lawsuits were not significantly motivated by an honest and reasonable desire to influence the court's decision and affect the outcome of the case they are not entitled to protections from antitrust scrutiny.[13]

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[13] The railroads also claim that the district court cannot conclude the window lawsuits defense was a sham because the special master made factual findings to the contrary that were not clearly erroneous. *See* Fed. R. Civ. P. 53(e). We do not agree that the district court was obligated to give any deference to the special master's

VI

Waiver of Privilege

The final issue we must address is ETSI's contention that an independent ground exists for leaving undisturbed the district court's ruling. ETSI claims that the railroads waived their asserted privileges by relying on a defense that puts their attorney/client communications and work product at issue. It argues that an antitrust defendant who relies on *Noerr-Pennington* bears the burden of proving the genuineness of his petitioning activities, and, having thus injected his good faith into the case, waives any privilege to documents bearing on that issue. We disagree.

We cannot accept the proposition that a defendant in an antitrust suit who relies on the protection afforded by *Noerr-Pennington* necessarily gives up the right to keep his communications with his attorney confidential. Such a rule certainly cannot be justified on the basis of waiver. This is not a case in which a party has asserted a claim or defense that explicitly relies on the existence or absence of the very communications for which he claims a privilege. *See, e.g., United States v. Woodall*, 438 F.2d 1317, 1324-26 (5th Cir. 1970), *cert. denied*, 403 U.S. 933, 91 S.Ct. 2262, 29 L.Ed.2d 712 (1971). A defendant who relies on *Noerr-Pennington* merely denies the existence of an antitrust violation. *Cf.* Areeda, at 4 (The "doctrine is in part an 'exception' or 'immunity' from normal antitrust principles . . . but it principally reflects the absence of any antitrust violation to start with."). Accordingly, a plaintiff attempting to make an antitrust case based on conduct that involves

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findings in the case. At the time he submitted his report, the special master indicated his desire to receive comments and objections from the parties before preparing his final opinion. The parties submitted their objections but the master resigned his position before he could act on them. It appears, therefore, that the special master's report was only a preliminary one.

lobbying or litigation bears the burden to show that such activity is not protected petitioning but a sham. *Coastal States*, 694 F.2d at 1372 n.46; *Mohammad*, 586 F.2d 543. We do not see how it can be said that the railroads waived their privilege when it is ETSI who filed this lawsuit and who seeks to rely on attorney/client communications and work product to prove its claim.

Nor do we perceive any other basis for abrogating the railroads' privilege. *Noerr-Pennington* is based on the principles that individuals have a right to petition government and that government has a need for the information provided by such petitioning. As we noted earlier in this opinion, the protection afforded by the attorney/client privilege furthers these principles. Under the rule ETSI suggests, whenever a competitor files a lawsuit alleging that some earlier petitioning was a sham and the defendant denies the allegation, the defendant would lose his privilege. This result would be inconsistent with both *Noerr-Pennington* and the attorney/client privilege. Attorney/client documents may be quite helpful in making out a claim of sham, but this is not a sufficient basis for abrogating the privilege.

VII

Conclusion

To recapitulate, we hold:

1. Even if prior litigation was part of an overall conspiracy which itself violated antitrust law, *Noerr-Pennington* requires a prima facie finding that the particular litigation was a sham to warrant discovery of documents initially protected by the attorney/client privilege or work product immunity.

2. The litigation was a sham, and the documents subject to discovery, if the litigation was undertaken without a genuine desire for judicial relief

as a significant motivating factor, or if there was no reasonable expectation of judicial relief, or if there was no reasonable basis for party standing.

3. It is possible for litigation which ultimately succeeds to have been sham.

4. Defensive litigation can be sham.

5. The antitrust suit defendant who raises the *Noerr-Pennington* claim to protect its conduct in prior litigation does not thereby waive the attorney/client privilege or work product immunity.

We conclude that the district court acted improperly in granting ETSI's motion to compel discovery without making a proper factual determination that the individual petitioning activities in which the railroads were engaged were sham. Should ETSI renew its motion to discover the documents for which the railroads have asserted privilege, and if the district court should then conclude that ETSI has made a prima facie showing that the litigation—affirmative or defensive—is or was a sham, then at that moment the attorney/client and work product privileges will evaporate so that all material in the litigation will be subject to discovery bearing on further proof or establishment that the litigation is sham. While the material is not available initially to establish a prima facie case, once that point is reached, there is nothing in *Noerr-Pennington*, much less in attorney/client or work product, to shield such dramatic evidence from the finder of fact. Any different rule would permit one or all of the testimonial privileges to shield forever dramatic, perhaps even conclusive, proof of exactly what sets aside those privileges under the law.

Upon receipt of this opinion the district judge will, undoubtedly without order from us, promptly vacate his order.

Writ Conditionally GRANTED.

E. GRADY JOLLY, Concurring in result:

I am pleased to concur in the result reached by the majority in Judge Reavley's very thoughtful opinion. I respectfully dissent to the extent that the majority holds that a lawsuit, reasonably based on fact and law, if improperly motivated, may constitute a sham under the *Noerr-Pennington* doctrine. When we speak of the right to file a lawsuit, we are speaking of rights guaranteed by the Constitution. As is made clear by *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609 (1972), the Supreme Court's holding that antitrust laws cannot punish the legitimate use of the courts is grounded upon the first amendment right to petition the government for redress of grievances. *Id.* at 510, 92 S.Ct. at 611. As a general rule, once the right is found to be protected, i.e., a reasonable legal and factual basis for the lawsuit, improper motivation for asserting the right will not defeat constitutional protection, as is illustrated by the Supreme Court's holding that motivation to violate antitrust laws does not vitiate the first amendment right to use the courts for that purpose; only when the assertion is a "sham" is constitutional protection lost. A successful lawsuit is not, and cannot be, constitutionally speaking, a sham upon the courts; neither can any lawsuit unless it *baseless*.

For confirmation of this principle, we need only turn to the Supreme Court's most recent pronouncement on the constitutional right to access to the courts. In *Bill Johnson's Restaurants, Inc. v. NLRB*, 461 U.S. 731, 103 S.Ct. 2161 (1983), an employer used the state courts to sue his lawfully picketing employees for injunctive relief and monetary damages. The National Labor Relations Board issued a cease and desist order against the employer on grounds that the sole purpose of using the courts was to retaliate against the employees for exercising their protected statutory rights.

Noting that *baseless* litigation is not immunized by the first amendment right to petition, the Court stated that such considerations "led us in the antitrust context to adopt the 'mere sham' exception in *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609 (1972). We should follow a similar course under the NLRA." The Court then proceeded to make absolutely clear that the finding of a sham, in order to defeat constitutional protection to use the courts, is two-pronged: first, the lawsuit must be baseless, *and*, second, it must be prosecuted with the intent of retaliating against the employee. This specific two-pronged holding, requiring both improper motivation and a baseless lawsuit, was reiterated throughout the opinion ("improperly motivated suit lacking a reasonable basis, . . . baseless lawsuit with intent of retaliating," 461 U.S. at 744, 103 S.Ct. at 2170; "[r]etaliatory motive and lack of reasonable basis are both essential prerequisites," *id.* at 748, 103 S.Ct. at 2173; "unmeritorious lawsuit for retaliatory purpose," *id.* at 749, 103 S.Ct. at 2173).

Addressing specifically whether a meritorious lawsuit can be a sham, the Court stated: "[I]f the employer's case in the state court ultimately proves meritorious and he has a judgment against the employees, the employer should also prevail before the Board, for the filing of a meritorious lawsuit, even for retaliatory motive, is not an unfair labor practice." *Id.* at 747, 103 S.Ct. at 2172.

After a determination has been made that a lawsuit is *baseless*, the subjective intent of the parties will become relevant in determining whether the initial filing and prosecution of the lawsuit enjoys constitutional protection. In *Bill Johnson's Restaurants, Inc.*, for example, Justice White observed that if the judgment went against the employer in that case, "[t]he employer's suit having proved unmeritorious, the Board would be warranted in taking that fact into account in determining

whether the suit had been filed in retaliation for the exercise of the employees' § 7 rights." *Id.*

Therefore, because I believe that the issue of whether a lawsuit may constitute a sham is controlled by *Bill Johnson's Restaurants, Inc.*, I respectfully dissent from the majority's holding that a lawsuit, grounded upon a reasonable basis in fact and law, may constitute a sham.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
BEAUMONT DIVISION

Cause No. B-84-979-CA

ETSI PIPELINE PROJECT, A JOINT VENTURE, and
ENERGY TRANSPORTATION SYSTEMS, INC.

VS.

BURLINGTON NORTHERN, INC., *et al.*

MEMORANDUM OPINION & ORDER

Plaintiff's Second Motion to Compel Production of Documents (identified as the "Crime-Fraud" Motion) seeks to compel production of certain allegedly privileged documents.[1]

The Motion is Granted.

I. INTRODUCTION

The Court has carefully studied the recommendations of the Special Master[2] relating to Plaintiff's Crime

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[1] The documents number in the thousands. No argument has been made that the documents are not within the attorney-client privilege or the work product privilege (aside from the crime-fraud exception). The bulk of the documents in question relate to the window litigation, the later administrative proceedings, and the *Andrews* lawsuits.

[2] Special Master John F. Sutton, Jr., A.W. Walker, Jr. Centennial Chair in Law; Professor and Former Dean, The University of Texas School of Law.

Fraud Motion. Additionally, the Court has carefully reviewed the briefs supplied to the Master and the Responses of the parties to the Master's recommendations.

The Court notes that although it did not disagree with the Special Master in regards to the legal analysis, the Court finds that the facts surrounding this controversy force a different focus in light of the applicable case law. Specifically, the Court finds that the conduct of the Defendants throughout the course of the attempted development of the ETSI project constituted prima facie anti-competitive conduct. This activity amounted to an overall scheme involving a concerted effort by the defendant railroads to prevent ETSI from competing in the coal shipping business. The question, therefore, becomes whether the attorney/client privilege, reinforced by the exception to the Sherman Act found in *Eastern Railroad Presidents Conference et al. v. Noerr Motor Freight, Inc., et al.*[3] (*Noerr*) and *United Mine Workers of America v. Pennington, et al.*[4] (*Pennington*), should protect discovery of work product and attorney/client communications or whether the crime or fraud exception to the privileges should allow Plaintiff to discover material which was part of the furtherance of that crime or fraud.[5]

II. SUMMARY OF FACTS AND ISSUES

ETSI, relying on the crime-fraud exception to the privileges, contends that the Defendants used their attorneys to further activities that violated the antitrust laws; therefore, the materials should be discoverable Defendants counter that the alleged activities were "petitioning" activities and that the *Noerr-Pennington* doctrine shields

[3] 365 U.S. 127, 81 S.Ct. 523, 5 L.Ed.2d 464 (1961).

[4] 381 U.S. 657, 85 S.Ct. 1585, 14 L.Ed.2d 626 (1965).

[5] The Court, throughout this Order, borrows heavily from the language in the Special Master's Recommended Memorandum Opinion and Order.

Defendants from liability; consequently, making the crime-fraud exception inapplicable. ETSI replies that the "sham" exception to the *Noerr-Pennington* doctrine applies and, additionally, that in any event evidence of use of attorneys in Defendants' governmental petitioning is admissible because the petitioning was part of an overall, broad conspiracy to violate the antitrust laws. ETSI also asserts that the Court must allow discovery based on an alternative doctrine. By placing the question of a good faith defense at issue by the assertion of the *Noerr Pennington* defense, Defendants waive the attorney/client privilege regarding whether their government petitioning was made in good faith.[6]

Defendants agree[7] that ETSI's burden, under the crime-fraud exception, is only to make a *prima facie* showing that Defendants consulted with their attorneys for the purpose of furthering a violation of the antitrust laws. "*Prima facie*" in this regard means sufficient evidence to raise an issue of fact.

I.A. Background[8]

ETSI wanted to build a coal slurry pipeline of some 1800 miles to carry coal from Wyoming to Arkansas. A project of this magnitude faced numerous obstacles in-

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[6] Plaintiff's assertion that the Defendants waived the attorney/client privilege when they asserted the *Noerr-Pennington* defense presents a novel issue of first impression in antitrust litigation in this Circuit. Because this Court holds that the motion to compel is granted on other grounds, the Court declines to apply the "at issue" doctrine to the instant case.

[7] See Defendants' Response to Plaintiffs' Supplemental Brief, at 5.

[8] In stating the general facts underlying this motion, the court has borrowed from a statement by Defendants, with some amplification. See Defendant's Response to Plaintiffs' Supplemental Brief, at 5-7.

cluding marketing, financing, and right of way. For example, it needed to cross the property of a number of railroads as well as the land of ranchers and other interests. In the early days of its project, ETSI approached all of the affected railroads on a coordinated basis to request numerous crossing permits and sought an immediate response to its crossing requests. All but one of the railroads denied the requests.

The project also required a great supply of water to be secured from deep wells in Wyoming and the Oahe Reservoir in South Dakota. In the beginning, Arkansas Power & Light, now a party, was envisioned as the project's customer, but others, including Houston Lighting and Power, were added.[9]

As a result of the railroads' refusal to allow ETSI the requested crossing rights, ETSI was forced to turn to another plan which it hoped would provide an alternative to the crossing rights. ETSI purchased easements from landowners which would allow it to construct pipelines at various points underneath existing railroad easements. These easements were called windows. ETSI initiated a litigation program which included over 60 suits filed against the railroads in the courts of several states. The litigation program resulted in state court findings that ETSI's window easements gave it the right to build its pipeline under the railroads' easements. By ETSI's admission, this litigation program was carefully planned to establish a network of precedents that could be used not only against the individual railroad defendant but against all other western railroads as well. This litigation program was the direct result of the Defendants intentional and coordinated efforts to prevent the pipeline project from succeeding. But for the railroads' bad faith actions, the litigation would not have occurred.

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[9] Houston Lighting and Power has filed a motion to intervene in this litigation.

Simultaneously, ETSI was pursuing a major campaign to obtain legislation from state and federal governments giving coal slurry pipelines eminent domain power to condemn private property that it proposed to cross, including property of railroads, ranchers and other interests. The affected railroads coordinated their defenses of the many lawsuits brought by ETSI, and they worked together in lobbying at the state and federal levels. As noted above, this activity which was part of a major, full scale, campaign was designed to block the coal slurry pipeline. This coordinated effort, which was initiated by the railroads at the early stages of the ETSI project, included efforts to deny ETSI rights of way easements, water rights, rights of condemnation; all of which were calculated to block the ETSI project. The railroads worked together and coordinated each phase of the campaign and developed strategy on how to most effectively prevent the pipeline from being constructed.

Later, after ETSI had secured crossing rights from the railroads as a result of the litigation program, certain railroads participated in some administrative proceedings in which ETSI sought environmental and other authorizations to construct its pipeline. Two of the railroads also were involved—one as a party but the second only indirectly through assistance given to the State of Nebraska —in the *Andrews* lawsuits in which the authorization granted ETSI by the Department of Interior for use of certain waters was found to be improper.

ETSI later abandoned its coal slurry project, allegedly as a result of the antitrust actions of the railroads. ETSI instituted this litigation on September 9, 1984 against the defendant railroads.[10]

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[10] The Defendant railroads against whom this motion was filed are Burlington Northern Railroad, Union Pacific, Chicago & North Western, Kansas City Southern Railway, and Missouri Pacific Railroad Company. Added as a party subsequent to this motion is the Atchison, Topeka and Santa Fe Railroad.

I.B. Issues

The questions this Court must consider is (a) whether the attorney/client and work product privileges apply to the documents in question and (b) whether the crime or fraud privilege excepts those documents from the protection of the attorney/client and work product privileges. The Court also must consider whether the *Noerr-Pennington* defense can operate as a shield to prevent discovery and, consequently, whether an exception to petitioning immunity such as the sham exception or the overall scheme exception removes the *Noerr* shield.

The applicability of the work product and attorney/client privileges is not at issue. The parties do not dispute that the privileges apply to the documents in question. Therefore, the relevant inquiry this Court must explore is whether the crime fraud exception requires this Court to allow discovery and whether that exception is limited by the *Noerr-Pennington* antitrust defense.

ETSI argues that it has presented prima facie evidence that the conduct of Defendants throughout the window litigation program, the Andrews cases and the permitting process was in furtherance of an overall scheme of crime or fraud to violate antitrust laws and prevent ETSI from succeeding in the development of the coal slurry pipeline program.

In response, Defendants argue that the *Noerr-Pennington* doctrine provides immunity because the activities related to the window suits, the Andrews litigation and the permitting process constituted governmental petitioning and, consequently, the documents remain privileged. ETSI counters the *Noerr-Pennington* defense with the contention that the petitioning activities of Defendants, both in court and before administrative bodies, in fact constituted a "sham" within the meaning of the sham exception to that defense. Defendants contest the "sham petitioning" position of ETSI on the basis that ETSI cannot

make a *prima facie* [11] showing of sham. Defendants aver that a sham exception could not be shown even if part of the motive had been to stop or delay the ETSI project, because at least a part of the motivation was to obtain a result from a tribunal or governmental unit. "As long as a 'genuine desire for judicial relief' is a motivating factor for a litigation position, such action is immune from antitrust challenge." [12]

The Court, in a departure from the Special Master's Recommendations, holds that the inquiry should focus on the core question of whether the crime or fraud exception applies. Plaintiff's motion does not seek to test the strength or viability of Defendants' *Noerr-Pennington* defense; nor does it provide an opportunity for Defendants to set the groundwork for a motion for summary judgment on their defense. Although the viability of the *Noerr* defense and the sham exception to that defense are important to Plaintiff's substantiating prima facie proof of a crime or fraud, the Court holds that based on a finding of a broad, overall scheme, the crime fraud exception provides an independent ground to warrant discovery of the protected material. Additionally, the Court finds that if the *Noerr* doctrine does apply to shield a

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[11] ETSI has the burden of showing *prima facie* evidence of a sham; *see Coastal States Marketing, Inc. v. Hunt* 694 F.2d 1358, 1373 (5th Cir. 1983).

[12] Defendants' Response to Plaintiffs' Supplemental Brief, at 13, citing *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1372 (5th Cir. 1983). Defendants state that ETSI has not met its burden because the evidence shows that a desire for governmental relief is at least one of Defendants' motives, even though additional motives may have been to delay or to make a governmental agency reconsider its work, citing Meyer, A Standard for Tailoring *Noerr-Pennington* Immunity More Closely to the First Amendment Mandate, 95 Yale L.J. 832, 837 (1986): "[I]t is impossible to characterize petitioning that is intended to produce these harmful results as 'sham' activity when petitioners are also genuinely seeking a governmental response."

limited portion of the overall conspiracy, the Plaintiffs have met its burden in showing an exception to *Noerr* through the sham exception and the overall scheme exception.

The central issue to be determined, therefore, is whether the crime or fraud exception removes the shield of the privileges.[13] The Court also considers whether the *Noerr* doctrine applies to prevent discovery and whether Plaintiff has presented sufficient proof to show an exception to this doctrine of petitioning immunity.

III. EVIDENTIARY BURDENS

Defendants, as claimants of the privilege, have the initial burden to show that each document in question falls within the attorney/client privilege or the work product privilege.[14] ETSI, seeking to apply the crime-fraud exception, has the burden of showing *prima facie* that the services of Defendants' lawyers were used by defendant railroads in furtherance of a crime or fraud[15]—namely an antitrust violation. Defendants then have the burden to show that the petitioning activities were not part of the overall scheme.

In regards to the applicability of *Noerr-Pennington*, Defendants, having raised the *Noerr-Pennington* defense, must show that the activities complained of consisted of

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[13] The Special Master focused on the issue of *Noerr-Pennington* as a shield to the crime-fraud exception, exploring the substantive analysis of the *Noerr* doctrine. "(T)wo major issues of law are: first, the nature and scope of the *Noerr-Pennington* doctrine; and, second, the nature and scope of the "sham" exception to that doctrine." Special Master's Recommended Memorandum Opinion and Order at 4.

[14] As the Court noted above, this issue is uncontroverted at this point. The Court notes, however, that ETSI is not precluded from asserting that the privilege does not apply to specific documents.

[15] See n.22, *infra*. See also discussion at § IV., "Crime or Fraud" Exception, *infra*.

normal petitioning of governmental units.[16] ETSI raises the "sham" and other exceptions to the *Noerr-Pennington* defense, and to sustain its contention must make a *prima facie* showing as to each defendant that a desire for relief was not a part of the defendant's motivation in petitioning.[17]

IV. THE "CRIME-FRAUD" EXCEPTION

The crime-fraud exception [18] to the attorney-client privilege, simply stated, is that "communications between an attorney and his/her client in furtherance of the commission of a crime or fraud will not be protected from disclosure under the law." [19] McCormick states that "the privilege does not extend to communications between attorney and client where the client's purpose is the furtherance of a future intended crime or fraud." [20] The crime or fraud exception applies to both the attorney/client privilege as well as the work product privilege.[21]

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[16] See § V., *Noerr-Pennington* Doctrine, *infra*.

[17] See § VI., The "Sham" Exception, *infra*.

[18] The ethical precepts regarding privileged communications are not controlling in determining the scope of the crime-fraud exception to the evidentiary privilege, and thus we need not look to either the Texas Code of Professional Responsibility or the A.B.A. Model Rules of Professional Conduct; see *United States v. Ballard*, 779 F.2d 287, 293 (5th Cir. 1986), *cert. denied* 106 S.Ct. 1518 (1986).

[19] *Coleman v. American Broadcasting Companies, Inc.*, 106 F.R.D. 201, 206 (D. D.C. 1985), citing *Clark v. United States*, 289 U.S. 1, 15, 53 S.Ct. 465, 469-70, 77 L.Ed. 993 (1933). See also *In re Grand Jury Proceedings*, 604 F.2d 798 (3rd Cir. 1979).

[20] McCormick, Evidence 229 (3d ed. 1984).

[21] *See In re Grand Jury Proceedings*, 604 F.2d 798 (3rd Cir. 1985); *Lamelson v. Bendix Corp.*, 104 F.R.D. 13 (D. Deleware, 1984); See also *In re Sealed Case*, 676 F.2d 793, 812 (D.C. Cir. 1982) ("Unless the blameless attorney is before the court with an independent claim of privilege, the client's use of an attorney's

Before the privilege is defeated, "courts have held that a *prima facie*, or probable cause, showing that the communications were made in the furtherance of a crime or fraud must be made," [22] and "mere allegations of wrongdoing or simply naming attorneys as Defendants in litigation is not enough to vitiate the attorney-client privilege." [23] An antitrust violation is sufficient to invoke the crime-fraud exception.[24]

The important intent is that of the client, not that of the lawyer, for the "admissibility of the evidence does not turn on the lawyer's complicity in the wrongful transaction." [25] The parties disagree as to the specificity

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efforts in furtherance of crime or fraud negates the privilege."). Cf. *In re Special September 1979 Grand Jury (II)*, 640 F.2d 49 (7th Cir. 1980). See generally Annot., 64 ALR Fed. 470, Fraud Exception to Work Product Privilege in Federal Courts (1983). Where the crime-fraud exception is applicable, one need not show "substantial need" to secure production of the attorney's work product; *In re Sealed Case*, 676 F.2d 793, 812 (D.C. Cir. 1982).

[22] *Coleman v. American Broadcasting Companies, Inc.*, supra, n.16 at 207. Accord: *United States v. Ballard*, supra n.18; *In re Grand Jury Subpoenas Duces Tecum*, 773 F.2d 204 (8th Cir. 1985); *United States v. Harrelson*, 754 F.2d 1153 (5th Cir. 1985), *cert. denied* 106 S.Ct. 277 (1985); *Pritchard-Keang Nam Corp. v. Jaworski*, 751 F.2d 27, 28 (8th Cir. 1984); *United States v. Horvath*, 731 F.2d 557 (8th Cir. 1984); *United States v. King*, 536 F. Supp. 253, 261 (C.D. Cal. 1982).

Expansive definitions of "crime or fraud" have been used by some courts dealing with business related areas such as patent, antitrust or securities litigation. *Coleman v. American Broadcasting Companies, Inc.*, 106 F.R.D. 201, at 208.

[23] Id. at 209.

[24] *Pfizer, Inc. v. Lord*, 456 F.2d 545 (8th Cir. 1972); *United States v. AT&T*, 86 F.R.D. 603 (D. D.C. 1979); *see Westinghouse Electric Corp.*, 76 F.R.D. 47, 59 (W.D. Pa. 1977).

[25] *United States v. Ballard*, supra n.18, at 292. Accord: *United States v. Horvath*, 731 F.2d 557 (8th Cir. 1984); *In re Grand Jury Subpoena Duces Tecum Dated 9/15/83*, 731 F.2d 1032 (2nd Cir. 1984); *Ohio-Sealy Mattress Mfg. Co. v. Kaplan*, 90 F.R.D. 21 (N.D. Ill. 1980).

with which the intent of the client must be shown. Logically, a *prima facie* showing has been made if the evidence would support a finding that the client intended conduct which the client knew or reasonably should have known constituted a crime [26] and knowingly used the services of the attorneys in connection with that conduct. It is not necessary to show that the client directed the attorneys to take specific illegal or improper actions—indeed, it is the client's role to determine the purposes of the representation and the lawyer's role to determine the means by which such purposes are to be achieved.[27] On the other hand, one must show more than the mere fact the client engaged in criminal or fraudulent conduct and consulted an attorney before doing so. The problem is an evidentiary problem rather than a mechanical problem susceptible to reduction to a formula. The true test is whether the logical inferences from the available evidence would justify a finding of fact that client's purpose was to use the services of its lawyers in engaging in what the client knew or reasonably should have known to be criminal or fraudulent conduct.

Defendants argue that even if Plaintiff can present prima facie evidence of a crime or fraud, their assertion of the *Noerr-Pennington* defense should shield discovery because if the defense is successful, no crime or fraud will have been committed in regards to the specific acts of petitioning.[28] The Court disagrees with this argument. The crime-fraud exception relies on the requirement that

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[26] Rev. Unif.R.Evid. 502(d)(1) (1974) requires that the client knew or reasonably should have known the act to be a crime or fraud.

[27] Rule 1.2 and Comment 1 to Rule 1.2, A.B.A. Model Rules of Professional Conduct.

[28] The Court finds, however, that even under the *Noerr* doctrine, Plaintiffs have shown that the overall scheme constitutes prima facie evidence that the governmental petitioning was a sham. (See discussion below at § VI.).

the party seeking discovery must show that the opponent was engaged in some form of crime or fraud and that the documents sought were used in the furtherance of that conspiracy. To allow the Defendants to use the *Noerr* doctrine to shield a portion of the activities which were a part of the overall conspiracy would be to frustrate the purpose of the crime-fraud exception.

The Defendants, as well as the Special Master, point to persuasive language in the *Pennington* opinion which states that "(s)uch conduct is not illegal, either standing alone or as part of a broader scheme to violate the Sherman Act." [29] Defendants assert that based on this language, Defendants' conduct throughout the course of the conspiracy which was related to litigation or other government petitioning is specially protected by virtue of the *Noerr* doctrine. The Court does not agree with this view of the *Pennington* language. Although *Pennington's* discussion regarding the overall conspiracy scheme could result in a favorable outcome on whether the Defendants are liable for any acts committed during the petitioning,[30] the language does not limit the Court's ability to find that Defendants' activity during the petitioning phase was part of an overall scheme of antitrust violations and is therefore discoverable under the crime-fraud exception. The Supreme Court, in *Pennington*, specifically noted that evidence relating to the petitioning activity could be admitted by the trial court judge under his power to show that the purpose and character of the

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[29] *Pennington*, 381 U.S. at 670. See also *Feminist Women's Health Center v. Mohammad*, 586 F.2d 530 at 543 (5th Cir.) *cert. denied*, 444 U.S. 924 (1979). "Whether the action (of the Defendant) can be linked to the alleged conspiracy . . . is irrelevant, for petitioning activity according to *Pennington* "is not illegal, either standing alone or as part of a broader scheme. . .' "

[30] This question is not now before the Court, nor does the Court take this opportunity to decide on this issue at the present time.

particular transactions under scrutiny.[31] The Fifth Circuit, in *Feminist Women's Heath Center v. Mohammad*, elaborated on the question of admissibility of evidence which could not be used to show that participation in an overall conspiracy is linked to government petitioning: "Admissability, we think, should be governed by a test that weighs the probativeness of and the Plaintiff's need for the evidence against the danger that the admission of the evidence will prejudice the defendant's first amendment rights." [32]

The Antitrust Section of the ABA recently noted that "(c)ourts have generally held that the existence of the *Noerr-Pennington* defense is not a bar to discovery of information relating to attempts to influence governmental action." [33] The Fourth Circuit, in *N.C. Elec. Membership v. Carolina Power and Light*,[34] stated that *Noerr-Pennington* does not apply to discovery. The Second Circuit, in *Assoc. Container Transp/(Australia) Ltd. v. U.S.*,[35] found that discovery should be allowed even though the party resisting discovery had claimed immunity under *Noerr*.

The Court holds that a similar analysis should be employed in the instant case. The issue this Court must decide, as noted earlier, is not whether the discovery materials will be admissible, but whether the Court should allow discovery of materials which were within

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[31] *Pennington*, 671 U.S. at 670-671.

[32] 586 F.2d at 543. In the *Feminist* case, the Circuit Court found that the evidence was cumulative and otherwise weak regarding the state of mind of another party, therefore the evidentiary value to the Plaintiffs in that litigation was outweighed by the Defendant's first amendment rights.

[33] ABA Antitrust Section, *Antitrust Law Developments* 2nd ed. 1984 at 619.

[34] 666 F.2d 50 at 52-53 (4th Cir. 1981).

[35] 705 F.2d 53 (2nd Cir. 1983).

the scope of the overall scheme of conspiracy. Whether the Defendants will succeed in preventing the admission of the evidence in regards to liability for petitioning conduct is not central to the issue, as the *Pennington* and *Feminist Women's Center* courts noted. The issue of whether the evidence can be shown to prove a violation of antitrust laws does not mean that the evidence is inviolate and protected. The application of the *Noerr* doctrine to the crime-fraud analysis does not limit the Court's ability to find that for the purposes of discovery, and discovery alone, that the prima facie evidence of an overall conspiracy justifies the discovery of materials related to petitioning activities.[36]

In the 7th Circuit's opinion in *Loctite Corp. v. Fel-Pro Inc.*,[37] the Court discussed whether it should limit the attorney/client and work product privileges to allow discovery. The court noted: ". . . the privileges are not absolute. Where the benefit to the resolution of the suit outweighs the potential injury to the party from whom discovery is sought . . . discovery is required."[38] The Court holds that the policy of the crime-fraud rule is to allow discovery of documents were used in the furtherance of the crime or fraud, notwithstanding whether a portion of that crime or fraud is later found to be protected by doctrine or fact.[39] "Decisions regarding the

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[36] The Fifth Circuit, in *U.S. v. Dyer*, 722 F.2d 174 at 179 (5th Cir. 1983) noted that In passing that the issue of admissibility of evidence is different from the assertion of privilege, and the court's ruling that material was not subject to the attorney-client privilege does not prevent the trial court from later ruling that it is not admissible.

[37] 667 F.2d 577 at 582 (7th Cir. 1981).

[38] The Court holds that if it should err in this ruling, it is preferable to err on the side of full disclosure, allowing for all the facts to be available to insure a fair and complete resolution of this dispute.

[39] The work product doctrine, for instance, is not based on the same policy principles underlying the petitioning immunity. Work

attorney/client privilege should not be based on a rigid analysis. Rather the focus is on whether the detriment to justice from foreclosing inquiry into pertinent facts is outweighed by the benefits to justice from a franker disclosure in the lawyer's office." [40]

The Court additionally notes that equity forces the Court to allow discovery. Defendants, who forced Plaintiffs into bringing the window lawsuits by anti-competitive acts, should not be allowed to subsequently hide behind the *Noerr* doctrine to prevent discovery of material related to the lawsuits.[41]

IV. A. Evidence of Crime or Fraud

Based on the evidentiary standard discussed above,[42] ETSI has made a *prima facie* showing that Defendant

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product protection is designed to assure that an opposing attorney will remain free from intrusion by his opposing counsel. *Handguards v. Johnson and Johnson*, 413 F. Supp. 926, 929 (N.D. Cal. 1976). The risk of imposition by opposing counsel is non-existent in this case because the work product sought relates to work product in prior litigation which has been completed, therefore there is no danger that it will be used by opposing counsel to 'piggy-back' on the work of the attorney seeking to protect the materials.

[40] *Pritchard-Keang Nam Corp. v. Jaworski*, 751 F.2d 277 at 284 (Eighth Cir. 1984), citing C. McCormick, *McCormick on Evidence* § 87, at 205 (E. Cleary 3rd ed. 1984). The Court did not allow discovery, finding that the benefit from allowing discovery was not outweighed by the effect on attorney-client relations. This Court finds that in the instant case, the benefits of allowing full discovery outweigh any effects on attorney-client relations.

[41] See also *Handguards Inc. v. Johnson and Johnson*, 69 F.R.D. 451 at 454 (N.D. Cal. 1975). Judge Orrick stated that he "believes that the less expansive view of the scope of the privilege expressed in the *Zenith* line of cases is more in keeping with the policy of full disclosure under the liberal discovery rules of the Federal Rules of Civil Procedure."

[42] The "use of attorney" test of *In re International Systems & Controls Corp.*, 693 F.2d 1235 (5th Cir. 1982), if it differs from the standard just stated herein, has been met by ETSI's *prima facie* evidence.

railroads used the services of their lawyers in engaging in what they knew or reasonably should have known to be anticompetitive conduct in violation of antitrust laws. In fact, the evidence shows *prima facie* extensive use by all railroads of the lawyers' services in unified opposition to ETSI's project. The evidence demonstrates that the attorneys frequently were consulted, were asked for opinions, participated in meetings, and were generally involved in or participated in efforts to delay or oppose ETSI's coal slurry project. While the evidence is more directly related to Burlington Northern, Chicago & North Western, KCS, and Union Pacific, the circumstantial evidence, including patterns of distribution of copies of documents and other patterns, shows prima facie that all Defendant railroads knowingly used their attorneys sufficiently to invoke the crime-fraud exception to the privilege. Plaintiff has produced *prima facie* evidence that each of the five railroads combined to engage in anticompetitive activities or to participate with others to restrain competition by ETSI, including such activities as collectively denying crossing rights,[43] defending window litigation, opposing grants by administrative agencies of governmental permits, and using delaying tactics in activities allied with opposition to the governmental grants, all of which constitute a crime part of the overall criminal and/or fraudulent conspiracy. These activities, unless protected by the *Noerr-Pennington* defense, constitute antitrust violations.[44] For example, there is a *prima facie*

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[43] See, e.g., Attachment 39, Plaintiffs' Memorandum in Support.

[44] See, for example, attachments 3, 4, 7, 8, 9, 13, 15, 16, 19, 20, 21, 22, 23, 25, 27, 28, 30, 31, 32, 34, 35, 37, 39, 40, 41, 51, 55, 56, 60, 63, 64, 66, 67, 68, 69, 73, 77, 81, 83, 88, 97, 111, 116, 122, 123, 124, 125, 127, 128, 133, 134, 148, 155, 161, 162, 163, 169, 170, 172, 180, 182, 193, and 195, Plaintiffs' Memorandum.

Cf. *Park v. El Paso Board of Realtors*, 764 F.2d 1053 (5th Cir. 1985), *cert. denied* 106 S.Ct. 884 (1985); *Belts Travel Service, Inc. v. International Air Transport Ass'n.*, 620 F.2d 1360 (9th Cir. 1980); *Gainesville Utilities Dept. v. Florida Power & Lt.* 573 F.2d 292 (5th Cir.), *cert. denied* 439 U.S. 966 (1978).

showing that Burlington Northern, Union Pacific, and Chicago & North Western conspired to deny crossing permits to ETSI,[45] wholly aside from the Defendants' petitioning activities in defending against ETSI's window lawsuits. The ETSI project, if completed, would have been a strong competitor in the transportation of coal.

The *prima facie* evidence also shows that the Defendant railroads engaged in a coordinated effort which was calculated to delay and frustrate ETSI's efforts by any means, including petitioning the Courts. The Court is persuaded that ETSI has presented ample evidence to show that this conspiracy was active throughout the entire period of the window lawsuits, the Andrews litigation and the permitting requests. ETSI accurately stresses that a *prima facie* case of use of their attorneys by the railroads to further antitrust acivities has been shown by the "blind copies" used by the railroads among themselves, by the pattern of similar activities by the several railroads, and by other exhibits produced by ETSI. While the main activities in regard to administrative permits allegedly were carried out by Kansas City Southern ("KCS") and by Brown & Roady (said by ETSI to have taken the lead in connection with environmental issues), the other railroads, ETSI alleges, cannot disassociate themselves from those activities because there was a conspiracy and because the other railroads were involved in the overall scheme.

Viewing all of ETSI's evidence as a whole, the Court finds that ETSI has met its burden and shown *prima facie* evidence of a combination or conspiracy to delay and obstruct ETSI and lessen its ability to compete and that the conduct of the Defendants in their defense of the window suits, the *Andrews* litigation and the per-

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[45] See, e.g., attachments 287 and 288, Plaintiffs' Second Supplemental Memorandum, and Attachment 30, ETSI Crime-Fraud Memo.

mitting process were a part of and in furtherance of this conspiracy.

V. NOERR-PENNINGTON *DOCTRINE*

The *Noerr-Pennington* doctrine, derived from *Eastern R. Conf. v. Noerr Motor Freight* and *United Mine Workers of America v. Pennington, et al* provides antitrust immunity for all petitions seeking governmental action, even if the petitioning of the government injures competition. The doctrine fostered by *Noerr* essentially provides that all activities within the normal scope of petitioning which represent attempts to secure anticompetitive governmental responses are exempt from antitrust liability." [46] This immunity principle has been extended to petitioning of administrative agencies and courts.[47] The immunity applies to petitioning not only of federal but also of state and local officials.[48]

The only issue of fact under *Noerr-Pennington* is whether the activities in question were a normal form of petitioning. But what constitutes petitioning? This distinction must be made. Joint efforts and activities either to prepare for or to engage in direct or formalized contact with a legislative body, an administrative agency, or a tribunal, constitutes "petitioning" if the efforts and activities involve only those who, in fact, do contact, appear before, or in a proper manner attempt directly

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[46] Meyer, A Standard for Tailoring *Noerr-Pennington* Immunity More Closely to the First Amendment Mandate, 95 Yale L.J. 832, 934 (1986).

[47] *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 510, 92 S.Ct. 609, 611, 30 L.Ed.2d 642 (1972). See also Meyer, *supra* n.46 at 834.

[48] *Independent Taxicab Drivers' Employees v. Greater Houston Transp. Co.*, 760 F.2d 607, *cert. denied* 106 S.Ct. 231 (1985); *Interstate Properties v. Pyramid Co. of Utica*, 586 F. Supp. 1160 (S.D. N.Y. 1984); *United States Football League v. National Football League*, 634 F. Supp. 1155 (S.D.N.Y. 1986).

to influence the agency. In contrast, similar efforts and activities to encourage other entities and individuals to attempt to influence the administrative agency or other governmental unit do not constitute "petitioning" when such other persons or organizations do not, in fact, contact, appear before, or directly attempt to influence the agency and, therefore, such actions are not entitled to immunity.

VI. THE "SHAM" EXCEPTION

The key to the sham exception is whether "a genuine desire for judicial [or other governmental] relief is a significant motivating factor underlying the suit [or other petitioning]."[49] If no such genuine desire exists, or, as sometimes stated, if the only intent is to injure by beginning the petitioning, the petitioning is a sham.[50]

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[49] *See Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1372 (5th Cir. 1983), which dealt only with judicial petitioning. The sham exception applies when it is shown that the motive was "the intent to harm one's competition not by the *result* of the litigation but by the *institution* of litigation." *City of Gainesville v. Florida Power & Lt. Co.*, 1488 F. Supp. 1258, 1265-66 (S.D. Fla. 1980).

[50] The authorities have not always clearly separated the elements of the *Noerr-Pennington* defense from the elements of the sham exception to that defense, even though the courts have recognized there is a separate burden of making a *prima facie* showing for each. The gist of the ETSI argument, although not so stated expressly, is that to make a *Noerr-Pennington* defense one must show that the petitioning was made with a "genuine desire" for governmental relief, and that the often recognized "sham exception" is not an exception at all but merely an inferential rebuttal of the *Noerr-Pennington* defense, with no burden of proof being placed on the party alleging that the petitioning was a sham. On balance, however, the decisions seem clearly to contemplate that the "sham exception" is actually an exception and not merely an inferential rebuttal to or an element encompassed within the *Noerr-Pennington* defense. Rather it is truly an exception to be alleged and shown in order to avoid the defense. Accordingly, the burden of making a *prima facie* showing of the elements of the sham exception necessarily falls on ETSI, the one asserting the sham exception, while

Whether a *prima facie* showing of sham has been made is a question of fact.

VI. A. Sham Litigation

Sham petitioning, insofar as litigation is concerned, requires an "intent to harm one's competitors not by the result of the litigation, but by the institution of the litigation." [51] One court has said that a "sham pleading is one which is good in form, but false in fact." [52] Thus, a sham petition in litigation is akin to a knowing assertion of a frivolous claim or defense [53] with the ulterior motive of harming one's competitors. In short, petitioning is a sham if the petitioning is done for the purpose of hurt-

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the Defendants relying on the *Noerr-Pennington* defense do not have the burden of negativing the "sham exception." Cf. *Coastal States Marketing, Inc. v. Hunt*, supra n.11, at 1373 stating that only after Defendant has met its burden of making the appropriate "showing would the *burden shift back to the Plaintiff to show sham*" (emphasis added); *Feminist Women's Health Center v. Mohammad*, 586 F.2d 530, 543, *cert. denied* 444 U.S. 924 (1979) ("The *Noerr* doctrine presents no bar if *the Plaintiff proves* that the petitioning was not a genuine effort to influence public officials to take governmental action").

[51] *City of Gainesville v. Florida Power & Light Co.*, 488 F. Supp. 1258, 1265-66 (S.D. Fla. 1980). See also *Greenwood Utilities v. Mississippi Power Co.*, 751 F.2d 1484, 1498 (5th Cir. 1985) ("vexatious litigation").

[52] *I.T.T. v. United Tel. Co. of Fla.*, 60 F.R.D. 177, 184 (M.D. Fla. 1973).

[53] Compare DR 7-102 (A)(1), Texas Code of Professional Responsibility ("C.P.R."); cf. Rule 4.4, A.B.A. Model Rules of Professional Conduct. A claim or defense in a lawsuit is not necessarily baseless even if it does not prevail upon trial, because it is permissible to assert a claim or defense not warranted under existing law if the claim or defense "can be supported by good faith argument for an extension, modification, or reversal of existing law." DR 7-102(A)(2). See also EC 7-4, C.P.R. and EC 7-3, C.P.R. ("While serving as advocate, a lawyer should resolve in favor of his client doubts as to the bounds of the law").

ing the competitor by the very fact of initiation of the petitioning without a desire to prevail on the petition.[54]

Additionally, the sham exception may be substantiated through proof of baseless or repeated claims. "One claim, which a court or agency may think is baseless, may go unnoticed, but a pattern of baseless, repetitive claims may emerge which leads the factfinder to conclude that the administrative and judicial processes have been abused."[55]

The Court finds, as noted above, that the overall scheme of conspiracy between the Defendant railroads pervaded throughout the conduct of the governmental petitioning. Plaintiff has presented sufficient prima facie proof to support its allegation that the governmental petitioning was an integral part of the concerted railroad effort to prevent ETSI from succeeding in its pipeline project. This connection, the Court finds, taints the entire petitioning process with sham. The Defendants' participation in the litigation and administrative proceedings, even though partially successful,[56] was part of an all overall scheme which was in violation of antitrust laws and not in good faith. Therefore, the Defendants were not engaged in a bona fide effort to secure governmental action.[57]

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[54] Compare *California Motor Transport v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609 (1972).

[55] *California Motor Transport*, supra n.54 at 513, see also, *Greenwood Utilities v. Mississippi Power Co.*, 751 F.2d at 1498: "While the precise contours of these exceptions are as yet ill-defined, there appears to be agreement that . . . vexatious litigation . . . . (is a) sham activity . . . ."

[56] The Railroads were successful in the *Andrews* litigation.

[57] See generally, *Greenwood Utilities*. The Court also points, as noted above, that the nexus of the window suits was the result of the bad faith conduct of the Defendants; but for the bad faith actions of the Defendants, much of the petitioning never would have occurred.

The Court is not persuaded by Defendants' assertion that the litigation was not part of an overall conspiracy. The exhibits noted above and the pattern of events preceding the instigation of this lawsuit provide a clear indication that the railroads very early realized the potential effect a coal transport competitor would have on the rail industry. This realization caused the railroads to join together in an illegal conspiracy and, in bad faith, to stop ETSI by whatever means, including through governmental actions.

The sham exception, consequently, results in the documents falling under the crime or fraud exception and, therefore, the attorney/client privilege does not apply.

VII. OVERALL SCHEME EXCEPTION TO NOERR-PENNINGTON

Various courts have also recognized other exceptions to the *Noerr-Pennington* petitioning immunity which provide a basis for allowing discovery under the crime or fraud standard.

The recent decision in *Clipper Exxpress v. Rocky Mountain Motor Tariff Bureau*,[58] outlined an exception to petitioning immunity based on an 'overall scheme' concept:

> . . . (W)e hold that when there is a conspiracy prohibited by the antitrust laws, and the otherwise legal

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[58] 674 F.2d 1252 at 1273 (9th Cir.) *cert. denied* 459 U.S. 1227 (1983). Judge Posner, in *Grip-Pak, Inc. v. Illinois Tool Works Inc.*, 694 F.2d 466 at 472 (7th Cir. 1982), stated that "the line is crossed (of petitioning immunity), when his purpose is not to win a favorable judgment against a competitor but to harass him and deter others, but the process itself—regardless of the outcome—of litigating." The Court held that a non-malicious lawsuit can violate antitrust law.

> litigation is nothing but an act in furtherance of that conspiracy, general antitrust principles apply, notwithstanding the existence of the *Noerr* immunity. In so holding, we are acting consistently with the theoretical underpinnings of the *Noerr* doctrine. When . . . the petitioning activity is but a part of a larger overall scheme to restrain trade, there is no overall immunity.

The line of cases beginning with *Kobe v. Dempsey Pump Co.*[59] provides an alternative avenue for antitrust liability, the overall scheme exception. The *Kobe* decision has been implicitly recognized in this Circuit in *Coastal States Marketing.*[60] The Court, in *Coastal*, described the doctrine:

> This exception from petitioning immunity (overall scheme) dates at least from *Kobe, Inc.* . . . The theory of these cases is that good faith, even successful, litigation brought in the furtherance of an "overall scheme" to violate the antitrust laws is not entitled to immunity. Each of the cases applying the "overall scheme" theory involved circumstances unlawful even apart from the litigation.

The Court finds, based on the analysis of the evidence discussed above, that Defendants were engaged in an overall scheme to violate antitrust laws, consequently, the overall scheme of the conspiracy obviates the petitioning immunity.

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[59] 198 F.2d 416 (10th Cir.) *cert. denied* 344 U.S. 837, 73 S.Ct. 46, 97 L.Ed.2d 651 (1952). *Rex Chainbelt, Inc. v. Harco Prods., Inc.*, 512 F.2d 993, 1004-07 (9th Cir. 1975), *see also Handguards v. Ethicon, Inc.*, 601 F.2d 986 at 990 (9th Cir. 1979), *Mach-Tronics, Incorporated v. Zirpoli*, 316 F.2d 993 (9th Cir. 1975), *Prelin Industries, Inc. v. G & G. Crafts, Inc.*, 357 F. Supp. 52 (W.D. Okl. 1975).

[60] 694 F.2d 1358, 1371 (5th Cir. 1983). The Court, in a footnote distinguished *Coastal* from *Kobe*.

VIII. ALTERNATIVE WORK PRODUCT REQUESTS

ETSI seeks, wholly aside from the crime-fraud contentions, to discover certain documents for which the work product privilege is claimed. The position of ETSI that such documents are discoverable rests on two theories: (1) the work product privilege does not apply to documents of a factual nature (as distinguished from documents reflecting a lawyer's mental impressions) in cases subsequent to the case in connection with which the document was prepared; (2) documents reflecting a lawyer's mental impressions are discoverable under the "substantial need" rule when the legal advice is in issue in the lawsuit. In ordering discovery on other grounds, the Court finds no reason to pass on this ground.[61]

IX. SCOPE OF ORDER

This Order relates, of course, only to the questions whether there has been a *prima facie* showing of a crime or fraud through conduct in violation of antitrust laws and whether there is prima facie proof of sham petitioning sufficient for discovery of documents claimed to be privileged. The findings and decisions herein are not rulings upon admissibility of documents that may be discovered [62] and in no way impinge upon the determination of any issues of fact upon trial.

X. IN CAMERA INSPECTION

Defendants are not precluded from arguing that specific documents are not discoverable in that they are not

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[61] The Court is inclined to agree with the Special Master that ETSI cannot show a substantial need at this stage of this litigation, for much discovery—including that granted by this Order—remains to be done.

[62] Compare *United States v. Dyer*, 722 F.2d 174, 178 (5th Cir. 1983); *In re A.H. Robins Co.*, 107 F.R.D. 2 (D. Kan. 1985).

related to the crime or fraud which forms the basis of the exception to the privileges. Defendants, if they have a good faith basis for asserting such a claim, may present specific documents to the Court for in camera inspection so that the Court may determine whether the documents are related to the crime or fraud and are, therefore, discoverable.

ORDER

The Motion to Compel Production of Documents (Crime-Fraud) is Granted in regards to the following documents:

(1) Documents relating to Defendant railroads collectively denying or delaying crossing rights to ETSI including documents relating to the window litigation.

(2) Documents relating to participation by KCS, other railroad Defendants, and Brown & Roady in petitioning federal, state, and local administrative agencies in regard to permits and authorizations sought by ETSI.

(3) Documents relating to activities on the part of Burlington Northern, Union Pacific, KCS and other Railroad Defendants in opposing the grant by federal, state, and local administrative agencies of permits and authorizations sought by ETSI.

(4) Documents relating to the *Andrews* litigation.

SIGNED and ENTERED on this the 13th day of February, 1987.

/s/ Robert M. Parker
ROBERT M. PARKER
United States District Judge

APPENDIX C

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
BEAUMONT DIVISION

Civil Action No. B-84-979-CA

ETSI PIPELINE PROJECT, A JOINT VENTURE, AND ENERGY TRANSPORTATION SYSTEMS, INC.,
Plaintiffs,

VS.

BURLINGTON NORTHERN, INC., *et al.*,
Defendants.

MEMORANDUM OPINION & ORDER

Plaintiffs' Second Motion to Compel Production of Document (identified as the "Crime-Fraud" Motion) seeks to compel production of certain allegedly privileged documents[1] on the ground that Plaintiffs ("ETSI") have made a *prima facie* showing, sufficient to invoke the crime-fraud exception, that defendant railroads consulted their attorneys in furtherance of violations of Section 1 of the Sherman Act

The Motion is Denied in part and Granted in part.

I. Summary of Facts and Issues

ETSI, relying on the crime-fraud exception to the privileges, contends that the defendants used their attorneys

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[1] The documents number in the thousands. No argument has been made that the documents are not within the attorney-client privilege or the work product privilege (aside from the crime-fraud exception), and the documents are not being examined individually or in camera at this time; ETSI is not precluded from raising such issue later on.

to further activities that violated the antitrust laws. Defendants counter that the alleged activities were "petitioning" activities and that the *Noerr-Pennington* doctrine prevents such activities by defendants from being a violation of antitrust laws, thereby making the crime-fraud exception inapplicable. ETSI replies that the "sham" exception to the *Noerr-Pennington* doctrine applies and, additionally, that in any event evidence of use of attorneys in defendants' governmental petitioning is admissible because the petitioning was part of an overall, broad conspiracy to violate the antitrust laws. Certain other issues, including waiver, are joined by the parties.

Defendant agrees[2] that ETSI's burden under the crime-fraud exception is only to make a *prima facie* showing that defendants consulted with their attorneys for the purpose of furthering a violation of the antitrust laws; "*prima facie*" in this regard means sufficient evidence to raise an issue of fact.

In stating the general facts underlying this motion, the court has borrowed heavily from but amplified a statement by defendants.[3]

ETSI wanted to build a coal slurry pipeline of some 1800 miles to carry coal from Wyoming to Arkansas. A project of this magnitude faced numerous obstacles including marketing, financing, and right of way. For example, it needed to cross the property of a number of railroads as well as the land of ranchers and other interests. In the early days of its project, ETSI approached all of the affected railroads on a coordinated basis to request numerous crossing permits (even though its pipeline route had not been precisely determined) and sought

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[2] See Defendants' Response to Plaintiffs' Supplemental Brief, at 5.

[3] See Defendant's Response to Plaintiffs' Supplemental Brief, at 5-7.

an immediate response to its crossing requests. All but one of the railroads denied the requests. The project also required a great supply of water, to be secured from deep wells in Wyoming and the Oahe Reservoir in South Dakota. In the beginning, Arkansas Power & Light, now a party, was envisioned as the project's customer, but others, including Houston Power & Light, were added.

ETSI later initiated a litigation program, the window litigation, including over 60 suits filed against the railroads in the courts of several states. By ETSI's admission, this litigation program was carefully planned to establish a network of precedents that could be used not only against the individual railroad defendant but against all other western railroads as well. Simultaneously, ETSI was pursuing a major campaign to obtain legislation from state and federal governments giving coal slurry pipelines eminent domain power to condemn private property that it proposed to cross, including property of railroads, ranchers and other interests. The affected railroads coordinated their defenses of the many lawsuits brought by ETSI, and they worked together in lobbying at the state and federal levels.

Later, after ETSI had secured crossing rights from the railroads (although not from all of the other landowners), certain railroads participated in some administrative proceedings in which ETSI sought environmental and other authorizations to construct its pipeline. Two of the railroads also were involved—one as a party but the second only indirectly through assistance given to the State of Nebraska—in the *Andrews* lawsuits in which the authorization granted ETSI by the Department of Interior for use of certain waters was found to be improper.

ETSI accurately stresses that a *prima facie* case of use of their attorneys by the railroads to further antitrust activities has been shown by the "blind copies" used

by the railroads among themselves, by the pattern of similar activities by the several railroads, and by other exhibits produced by ETSI. While the main activities in regard to administrative permits allegedly were carried out by Kansas City Southern ("KCS") and by Brown & Roady (said by ETSI to have taken the lead in connection with environmental issues), the other railroads, ETSI alleges, cannot disassociate themselves from those activities because there was a conspiracy and because the other railroads were factually involved.

In response, defendants argue that the *Noerr-Pennington* doctrine provides immunity because the activities constituted governmental petitioning. ETSI counters the *Noerr-Pennington* defense with the contention that the petitioning activities of defendants, both in court and before administrative bodies, in fact constituted a "sham" within the meaning of the sham exception to that defense. Defendants contest the "sham petitioning" position of ETSI on the basis that ETSI cannot make a *prima facie* [4] showing of sham because, defendants state, the evidence shows that a desire for governmental relief is at least one of defendants' motives, even though additional motives may have been to delay or to make a governmental agency reconsider its work.[5] Defendants aver that a sham exception could not be shown even if part of the motive had been to stop or delay the ETSI project, because at least a part of the motivation was to obtain a result from a tribunal or governmental unit. "As long as a 'genuine desire for judicial relief' is a motivating

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[4] ETSI has the burden of showing *prima facie* evidence of a sham; see Coastal States Marketing, Inc. v. Hunt, 694 F.2d 1358, 1373 (5th Cir. 1983).

[5] See Meyer, A Standard for Tailoring *Noerr-Pennington* Immunity More Closely to the First Amendment Mandate, 95 Yale L.J. 832, 837 (1986): "[I]t is impossible to characterize petitioning that is intended to produce these harmful results as 'sham' activity when petitioners are also genuinely seeking a governmental response."

factor for a litigation position, such action is immune from antitrust challenge." [6]

Even if the petitioning activities of the defendants [7] in connection with the window litigation, the later administrative proceedings, and the *Andrews* lawsuits were motivated by a desire to lessen competition, the *Noerr-Pennington* doctrine prevents the petitioning from being a crime (and therefore prevents application of the crime-fraud exception), unless ETSI makes a *prima facie* showing that the petitioning was a sham. Accordingly, two major issues of law are: first, the nature and scope of the *Noerr-Pennington* doctrine; and, second, the nature and scope of the "sham" exception to that doctrine.

The bulk of the documents in question relate to the window litigation, the later administrative proceedings, and the *Andrews* lawsuits. In part, the evidence of ETSI relates to other issues, such as whether defendants conspired not to grant window crossings.

Wholly aside from the crime-fraud exception, ETSI seeks to discover certain communications for which a work-product privilege is claimed; see § VII, *infra.* II.

Evidentiary Burdens

Defendants, as claimants of the privilege, have the initial burden to show that each document in question falls within the attorney-client privilege or the work product privilege.[8] ETSI, seeking to apply the crime-

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[6] Defendants' Response to Plaintiffs' Supplemental Brief, at 13, citing Coastal States Marketing, Inc. v. Hunt, 694 F.2d 1358, 1372 (5th Cir. 1983).

[7] The defendant railroads against whom this motion was filed are Burlington Northern Railroad, Union Pacific, Chicago & North Western, Kansas City Southern Railway, and Missouri Pacific Railroad Company. Added as a party subsequent to this motion is Santa Fe.

[8] This issue as to any particular document is uncontroverted at this time but it is understood that ETSI can raise the issue later; see n.1, *supra.*

fraud exception, has the burden of showing *prima facie* that the services of defendants' lawyers were used by defendant railroads in furtherance of a crime or fraud [9]—namely an antitrust violation. Defendants, having raised the *Noerr-Pennington* defense, must show that the activities complained of consisted of normal petitioning of a governmental unit,[10] whether it be a legislative body, an administrative body, or a court. ETSI raises the "sham" exception to the *Noerr-Pennington* defense, and to sustain its contention must make a *prima facie* showing as to each defendant that a desire for relief was not a part of the defendant's motivation in petitioning.[11]

III. Evidence of Anti-Trust Violations

The court finds that ETSI has made a sufficient *prima facie* showing that each of the five railroads combined to engage in anticompetitive activities or to participate with others to restrain competition by ETSI, including such activities as collectively denying crossing rights,[12] defending window litigation, opposing grants by administrative agencies of governmental permits, and using delaying tactics in activities allied with opposition to the governmental grants, all of which, unless protected by the *Noerr-Pennington* defense, constitute antitrust violations.[13] For example, there is a *prima facie* showing that

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[9] See n.18, *infra*. See also discussion at § IV, "Crime or Fraud" Exception, *infra*.

[10] See § V, *Noerr-Pennington* Doctrine, *infra*.

[11] See § VI, A, The "Sham" Exception, *infra*.

[12] See, e.g., Attachment 39, Plaintiffs' Memorandum in Support.

[13] See, for example, attachments 3, 4, 7, 8, 9, 13, 15, 16, 19, 20, 21, 22, 23, 25, 27, 28, 30, 31, 32, 34, 35, 37, 39, 40, 41, 51, 55, 56, 60, 63, 64, 66, 67, 68, 69, 73, 77, 81, 83, 88, 97, 111, 116, 122, 123, 124, 125, 127, 128, 133, 134, 148, 155, 161, 162, 163, 169, 170, 172, 180, 182, 193, and 195, Plaintiffs' Memorandum.

Cf. Park v. El Paso Board of Realtors, 764 F.2d 1053 (5th Cir. 1985), *cert. denied* 106 S.Ct. 884 (1985); Beltz Travel Service, Inc. v. International Air Transport Ass'n., 620 F.2d 1360 (9th Cir.

Burlington Northern, Union Pacific, and Chicago & North Western conspired to deny crossing permits to ETSI,[14] wholly aside from the defendants' petitioning activities in defending against ETSI's window lawsuits. The ETSI project if completed would have been a strong competitor in the transportation of coal. Viewing all of ETSI's evidence as a whole, the evidence is sufficient circumstantial evidence to constitute a *prima facie* showing of a combination or conspiracy to delay and obstruct ETSI and lessen its ability to compete.

IV. "Crime-Fraud" Exception

The crime-fraud exception [15] to the attorney-client privilege, simply stated, is that "communications between an attorney and his/her client in furtherance of the commission of a crime or fraud will not be protected from disclosure under the law." [16] McCormick states that "the privilege does not extend to communications between attorney and client where the client's purpose is the furtherance of a future intended crime or fraud." [17] Before the privilege is defeated, "courts have held that

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1980); Gainsville Utilities Dept. v. Florida Power & Lt., 573 F.2d 292 (5th Cir.), *cert. denied* 439 U.S. 966 (1978).

[14] See, e.g., attachments 287 and 288, Plaintiffs' Second Supplemental Memorandum, and Attachment 30, ETSI Crime-Fraud Memo.

[15] The ethical precepts regarding privileged communications are not controlling in determining the scope of the crime-fraud exception to the evidentiary privilege, and thus we need not look to either the Texas Code of Professional Responsibility or the A.B.A. Model Rules of Professional Conduct; see United States v. Ballard, 779 F.2d 287, 293 (5th Cir. 1986), *cert. denied* 106 S.Ct. 1518 (1986).

[16] Coleman v. American Broadcasting Companies, Inc., 106 F.R.D. 201, 206 (D. D.C. 1985), citing Clark v. United States, 289 U.S. 1, 15, 53 S.Ct. 465, 469-70, 77 L.Ed. 993 (1933). See also In re Grand Jury Proceedings, 604 F.2d 798 (3rd Cir. 1979).

[17] McCormick, Evidence 229 (3d ed. 1984).

a *prima facie*, or probable cause, showing that the communications were made in the futherance of a crime or fraud must be made," [18] and "mere allegations of wrongdoing or simply naming attorneys as defendants in litigation is not enough to vitiate the attorney-client privilege." [19] The crime-fraud exception applies to the work product privilege as well as to the attorney-client privilege.[20] An antitrust violation is sufficient to invoke the crime-fraud exception.[21]

The important intent is that of the client, not that of the lawyer, for the "admissibility of the evidence does not turn on the lawyer's complicity in the wrongful trans-

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[18] Coleman v. American Broadcasting Companies, Inc., supra n.16, at 207. Accord: United States v. Ballard, supra n.15; In re Grand Jury Subpoenas Duces Tecum, 773 F.2d 204 (8th Cir. 1985); United States v. Harrelson, 754 F.2d 1153 (5th Cir. 1985), *cert. denied* 106 S.Ct. 277 (1985); Pritchard-Keang Nam Corp. v. Jaworski, 751 F.2d 27, 28 (8th Cir. 1984); United States v. Horvath, 731 F.2d 557 (8th Cir. 1984); United States v. King, 536 F. Supp. 253, 261 (C.D. Cal. 1982).

Expansive definitions of "crime or fraud" have been used by some courts dealing with business related areas such as patent, antitrust or securities litigation. Coleman v. American Broadcasting Companies, Inc., 106 F.R.D. 201, at 208. Here, the concern is limited to violation of antitrust laws.

[19] Id. at 209.

[20] In re Grand Jury Proceedings, 604 F.2d 798, 802-03 (3rd Cir. 1979); Lemelson v. Bendix Corp., 104 F.R.D. 13 (D. Del. 1984). See also In re Sealed Case, 676 F.2d 793, 812 (D.C. Cir. 1982) ("Unless the blameless attorney is before the court with an independent claim of privilege, the client's use of an attorney's efforts in furtherance of crime or fraud negates the privilege."). Cf. In re Special September 1978 Grand Jury (II), 640 F.2d 49 (7th Cir. 1980). See generally Annot., 64 ALR Fed 470, Fraud Exception to Work Product Privilege in Federal Courts (1983). Where the crime-fraud exception is applicable, one need not show "substantial need" to secure production of the attorney's work product; In re Sealed Case, 676 F.2d 793, 812 (D.C. Cir. 1982).

[21] Pfizer, Inc. v. Lord, 456 F.2d 545 (8th Cir. 1972); United States v. A.T.&T., 86 F.R.D. 603 (D. D.C. 1979); see Westinghouse Electric Corp., 76 F.R.D. 47, 59 (W.D. Pa. 1977).

action." [22] The parties disagree as to the specificity with which the intent of the client must be shown. Logically, a *prima facie* showing has been made if but only if the evidence would support a finding that the client intended conduct which the client knew or reasonably should have known constituted a crime [23] and knowingly used the services of the attorneys in connection with that conduct. It is not necessary to show that the client directed the attorneys to take specific illegal or improper actions—indeed, it is the client's role to determine the purposes of the representation and the lawyer's role to determine the means by which such purposes are to be achieved.[24] On the other hand, one must show more than the mere fact the client engaged in criminal or fraudulent conduct and consulted an attorney before doing so. The problem is an evidentiary problem rather than a mechanical problem susceptible to reduction to a formula. The true test is whether the logical inferences from the available evidence would justify a finding of fact that client's purpose was to use the services of its lawyers in engaging in what the client knew or reasonably should have known to be criminal or fraudulent conduct.

Based on that evidentiary standard,[25] it appears that ETSI has made a *prima facie* showing that defendant

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[22] United States v. Ballard, supra n.18, at 292. Accord: United States v. Horvath, 731 F.2d 557 (8th Cir. 1984); In re Grand Jury Subpoena Duces Tecum Dated 9/15/83, 731 F.2d 1032 (2nd Cir. 1984); Ohio-Sealy Mattress Mfg. Co. v. Kaplan, 90 F.R.D. 21 (N.D. Ill. 1980).

[23] Rev. Unif. R. Evid. 502(d)(1) (1974) requires that the client knew or reasonably should have known the act to be a crime or fraud.

[24] Rule 1.2 and Comment 1 to Rule 1-2, A.B.A. Model Rules of Professional Conduct.

[25] The "use of attorney" test of In re International Systems & Controls Corp., 693 F.2d 1235 (5th Cir. 1982), if it differs from the standard just stated herein, has been met by ETSI's *prima facie* evidence.

railroads used the services of their lawyers in engaging in what they knew or reasonably should have known to be anticompetitive conduct in violation of antitrust laws. In fact, the evidence shows *prima facie* extensive use by all railroads of the lawyers' services in unified opposition to ETSI's project. The evidence indicates that the attorneys frequently were consulted, were asked for opinions, participated in meetings, and were generally involved in or participated in efforts to delay or oppose ETSI's coal slurry project. While the evidence is more directly related to Burlington Northern, Chicago & North Western, KCS, and Union Pacific, the circumstantial evidence, including patterns of distribution of copies of documents and other patterns, shows prima facie that all railroads knowingly used their attorneys sufficiently to invoke the crime-fraud exception to the privilege.

This finding of a *prima facie* showing is, however, subject to the *Noerr-Pennington* defense pleaded by defendants; to the extent that such defense is applicable, the defendant railroads did not use their attorneys in engaging in illegal anticompetitive conduct—for such conduct is not shown to be illegal, unless, of course, the sham exception to *Noerr-Pennington*, as pleaded by ETSI, is shown *prima facie* by ETSI.

V. *Noerr-Pennington* Doctrine

The *Noerr-Pennington* doctrine, derived from Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.,[26] and United Mine Workers v. Pennington,[27] provides antitrust immunity for all petitions seeking governmental action, even if the petitioning of the government injures competition. "The doctrine fostered by *Noerr* essentially provides that all activities within the normal scope of petitioning which represent attempts to secure anticom-

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[26] 365 U.S. 127, 81 S.Ct. 523, 5 L.Ed.2d 464 (1961).

[27] 381 U.S. 657, 85 S.Ct. 1585, 14 L.ed.2d 626 (1965).

petitive governmental responses are exempt from antitrust liability." [28] The immune petitioning may seek governmental action through legislative processes even though the sole motivation is to restrain competition,[29] because the governmental response is sought. This immunity principle has been extended to petitioning of administrative agencies and courts.[30] The immunity applies to petitioning not only of federal but also of state and local officials.[31]

The only issue of fact under *Noerr-Pennington* is whether the activities in question were a normal form of petitioning. But what constitutes petitioning? This distinction must be made: Joint efforts and activities (whether or not anticompetitive) either to prepare for or to engage in direct or formalized contact with a legislative body, an administrative agency, or a tribunal, constitutes "petitioning" if the efforts and activities involve only those who in fact do contact, appear before, or in a proper manner attempt directly to influence the agency. In contrast, similar efforts and activities to encourage

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[28] Meyer, A Standard for Tailoring *Noerr-Pennington* Immunity More Closely to the First Amendment Mandate, 95 Yale L.J. 832, 834 (1986). Meyer adds a statement that is an excellent test as to whether a particular petitioning is a sham: "Pure petitioning which threatens the competitive process only through the government's response, and not through the petitioning itself, thus causes no legally cognizable injury, while serving the two interests upon which *Noerr* was predicated." Id. at 834-35.

[29] Miracle Mile Associates v. City of Rochester, 617 F.2d 18, 20 (2d Cir. 1980).

[30] California Motor Transport Co. v. Trucking Unlimited, 404 U.S. 508, 510, 92 S.Ct. 609, 611, 30 L.Ed.2d 642 (1972). See also Meyer, *supra* n.28 at 834.

[31] Independent Taxicab Drivers' Employees v. Greater Houston Transp. Co., 760 F.2d 607, *cert. denied* 106 S.Ct. 231 (1985); Interstate Properties v. Pyramid Co. of Utica, 586 F. Supp. 1160 (S.D. N.Y. 1984); United States Football League v. National Football League, 634 F. Supp. 1155 (S.D. N.Y. 1986).

other entities and individuals to attempt to influence the administrative agency or other governmental unit do not constitute "petitioning" when such other persons or organizations do not in fact contact, appear before, or directly attempt to influence the agency. In the last described situation, such activities are not sufficiently related to the actual petitioning to be within the *Noerr-Pennington* defense, and consequently such activities, if the knowing use of an attorney by a railroad is involved, constitute anticompetitive activities falling within the crime-fraud exception to the two privileges in question.

VI. The "Sham" Exception

A. *Generally.* The key to the sham exception is whether "a genuine desire for judicial [or other governmental] relief is a significant motivating factor underlying the suit [or other petitioning]."[32] If no such genuine desire exists, or, as sometimes stated, if the only intent is to injure by beginning the petitioning, the petitioning is a sham.[33] Whether a *prima facie* showing of sham has been made is a question of fact.

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[32] See Coastal States Marketing, Inc. v. Hunt, 694 F.2d 1358, 1372 (5th Cir. 1983), which dealt only with judicial petitioning. The sham exception applies when it is shown that the motive was "the intent to harm one's competition not by the *result* of the litigation but by the *institution* of litigation." City of Gainesville v. Florida Power & Lt. Co., 1488 F. Supp. 1258, 1265-66 (S.D. Fla. 1980).

[33] The authorities have not always clearly separated the elements of the *Noerr-Pennington* defense from the elements of the sham exception to that defense, even though the courts have recognized there is a separate burden of making a *prima facie* showing for each. The gist of the ETSI argument, although not so stated expressly, is that to make a *Noerr-Pennington* defense one must show that the petitioning was made with a "genuine desire" for governmental relief, and that the often recognized "sham exception" is not an exception at all but merely an inferential rebuttal of the *Noerr-Pennington* defense, with no burden of proof being placed on the party alleging that the petitioning was a sham. On balance, how-

ETSI here relies on the "sham" exception to *Noerr-Pennington.* This is a critical issue in this Motion; ETSI *also* seeks, however, to avoid application of the *Noerr-Pennington* doctrine on the basis that the defendants' overall course of conduct is a part of a broad antitrust conspiracy and that any activities protected by *Noerr-Pennington* can be considered (and thus can be shown by evidence) as part of the overall conspiracy.

The latter contention is disapproved. Under the *Noerr-Pennington* doctrine, no genuine petitioning of the government can be considered as part of a broader scheme to violate the Sherman Act.[34] That this is the existing state of the law has been reaffirmed by the Fifth Circuit.[35] Thus, the *Noerr-Pennington* defense must prevail

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ever, the decisions seem clearly to contemplate that the "sham exception" is actually an exception and not merely an inferential rebuttal to or an element encompassed within the *Noerr-Pennington* defense. Rather it is truly an exception to be alleged and shown in order to avoid the defense. Accordingly, the burden of making a *prima facie* showing of the elements of the sham exception necessarily falls on ETSI, the one asserting the sham exception, while the defendants relying on the *Noerr-Pennington* defense do not have the burden of negativing the "sham exception." Cf. Coastal States Marketing, Inc. v. Hunt, supra n.32, at 1373 stating that only after defendant has met its burden of making the appropriate "showing would the *burden shift back to the plaintiff to show sham*" (emphasis added); Feminist Women's Health Center v. Mohammad, 586 F.2d 530, 543 ("The *Noerr* doctrine presents no bar if *the plaintiff proves* that the petitioning was not a genuine effort to influence public officials to take governmental action"), *cert. denied* 444 U.S. 924 (1979).

[34] United Mineworkers of America v. Pennington, 381 U.S. 657, 670, 85 S.Ct. 1585, (genuine efforts to petition the government "is not illegal, either standing alone or as part of a broader scheme itself violative of the Sherman Act"); United States Football League v. National Football League, 634 F. Supp. 1155, 1180 (S.D. N.Y. 1986).

[35] Feminist Women's Health Center, Inc. v. Mohammad, 586 F.2d 530, 543 (5th Cir. 1978), *cert. denied* 444 U.S. 924 (1979) (a link

unless the "sham" exception brings some of the activities of defendants, such as petitioning of judicial or administrative bodies, within the crime-fraud exception.[36]

B. *Sham Litigation.* Sham petitioning, insofar as litigation is concerned, requires an "intent to harm one's competitors not by the result of the litigation, but by the institution of the litigation." [37] One court has said that a "sham pleading is one which is good in form, but false in fact." [38] Thus, a sham petition in litigation is akin to a knowing assertion of a frivolous claim or defense [39] with the ulterior motive of harming one's competitors. In short, petitioning is a sham if the petitioning is done for the purpose of hurting the competitor by the very

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to a broader illegal scheme is "irrelevant, for petitioning activity according to *Pennington* 'is not illegal, either standing alone or as part of a broader scheme' "); *cf.* Coastal States Marketing, Inc. v. Hunt, 694 F.2d 1358, 1371 (5th Cir. 1983).

[36] "The only uniformly accepted limitation to [the *Noerr*] immunity is the 'sham' exception, which denies immunity for petitioning efforts that are merely veiled attempts to injure competitors directly or that use means that violate other laws to influence government." Meyers, n.28, at 834.

[37] City of Gainesville v. Florida Power & Light Co., 488 F. Supp. 1258, 1265-66 (S.D. Fla. 1980). See also Greenwood Utilities v. Mississippi Power Co., 751 F.2d 1484, 1498 (5th Cir. 1985) ("vexatious litigation").

[38] I.T.T. v. United Tel. Co. of Fla., 60 F.R.D. 177, 184 (M.D. Fla. 1973).

[39] Compare DR 7-102(A)(1), Texas Code of Professional Responsibility ("C.P.R."); cf. Rule 4.4, A.B.A. Model Rules of Professional Conduct. A claim or defense in a lawsuit is not necessarily baseless even if it does not prevail upon trial, because it is permissible to assert a claim or defense not warranted under existing law if the claim or defense "can be supported by good faith argument for an extension, modification, or reversal of existing law." DR 7-102(A)(2). See also EC 7-4, C.P.R. and EC 7-3, C.P.R. ("While serving as advocate, a lawyer should resolve in favor of his client doubts as to the bounds of the law").

fact of initiation of the petitioning without a desire to prevail on the petition.[40]

Defendants point out that no defense to a lawsuit has ever been held to be a sham, and no successful petition in court has ever been held to be a sham. On the factual issues, defendants contend that in fact defendants were not unduly delaying the window litigation, as shown by the evidence that only 28 of the 65 cases filed by ETSI were litigated by a defendant, and in most of those instances meaningful issues were raised and the cases were defended and disposed of promptly, thus refusing the ETSI claim of a pattern of opposition indicating a conspiracy.

In the present controversy, the fact that the defendants defended, rather than instigated, the various "window lawsuits" makes it unusually difficult for ETSI to show that such defensive petitioning by defendants was a sham. While it is conceivable that the defense of a lawsuit could be a "sham" within the meaning of the exception to the *Noerr-Pennington* doctrine if the mere filing of the defensive pleading was intended to hurt and if there was no thought of securing any relief as a result of the defensive filing, the court has been unable to locate a decision so holding. Although the making of a baseless defense may be, in some situations, circumstantial evidence of a sham, the intent must be to injure the competitor by the mere making of the defense, with no intent or desire to secure any relief from the tribunal.

The court finds that ETSI has not made a *prima facie* showing that the defense of any window lawsuit by a defendant was a sham.[41] On the contrary, it appears that

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[40] Compare California Motor Transport v. Trucking Unlimited, 404 U.S. 508, 92 S.Ct. 609 (1972).

[41] ETSI's main evidence is a letter written by Robert Bateson, a lawyer for Santa Fe; see Attachment 43, Plaintiffs' Memorandum. The Bateman assessment of the cases proved to be erroneous, for

many of the window suits were not contested, and that in those that were contested justiciable defenses were urged by defendants that were never found to be frivolous or abusive and that not infrequently were successful in limiting the relief sought by ETSI. Indeed, the defendants' positions in that series of window cases have been the subject of favorable scholarly commentary.[42] The filing of a defensive pleading is not a sham petitioning even where no sound defense exists if a purpose is to participate in, or have a voice in regard to, the decree to be entered. The number of, and timing of filing of, lawsuits by ETSI was in the control of ETSI rather than defendants. In sum, the circumstantial evidence does not rise to the level of a *prima facie* showing of sham petitioning in defending the window litigation.

Since there is no *prima facie* showing that the defendants engaged in sham defense of the window lawsuits, ETSI has not made the requisite showing that documents and communications relating thereto between attorneys and clients are discoverable under the crime-fraud exception.

C. *Sham Petitioning of Administrative Bodies.* We begin with the proposition that anticompetitive petitioning conduct directed at administrative agencies, including state and local agencies, is immunized under the *Noerr-Pennington* doctrine,[43] unless it constitutes sham

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some of the cases in question were settled by consent decrees, the defendants were able to limit relief sought by ETSI in the cases, all were resolved within 8 months, and none were appealed. See Hale deposition Ex. 1, Attachment #1, Defendants' Response to Plaintiffs' Supplemental Brief. A lawyer's erroneous assessment of pending cases is very weak evidence of sham litigation.

[42] Comment, Coal Slurry Pipelines and Railroad Crossings: Court Decisions Favor the Pipeline Sponsors, 18 Hous. L. Rev. 1075, 1092 (1981).

[43] See United States Football League v. National Football League, 634 F. Supp. 1155, 1179 (S.D. N.Y. 1986).

petitioning. ETSI's strongest showing of possible sham petitioning is in regard to the administrative proceedings in which KCS, in particular, opposed ETSI's attempts to secure necessary permits and similar permissions from administrative agencies.

ETSI also has shown *prima facie* that Burlington Northern, Union Pacific, and KCS, through or while using their attorneys in connection therewith, engaged in anticompetitive conduct by non-petitioning activities in opposing ETSI's quest for administrative permits. These activities were aside from, and did not amount to, petitioning activities; thus those activities fall outside the *Noerr-Pennington* protection. ETSI has produced sufficient circumstantial evidence of their efforts, directed at other groups as well as other railroads, to stir up opposition to the granting of permits needed by ETSI. Necessarily in antitrust cases, evidence on motions to produce tends to be circumstantial, but circumstantial evidence can be sufficient for a *prima facie* showing. An example of this kind of conduct is that Burlington Northern encouraged others to challenge water use by ETSI from the Oahe Reservoir in South Dakota, to stir up farmer opposition, and to protest alleged errors in the federal environmental analysis.[44] Circumstantially, it is indicated that Union Pacific sought to have Ducks Unlimited and others protest use of the Missouri River water.[45]

Without describing the minutia of supporting evidence, suffice it to say that ETSI has shown *prima facie* that Burlington Northern, Union Pacific and Kansas City Southern engaged in attempts to stir up opposition on the part of others to the granting of permits sought by ETSI, and that these concerted activities were anticom-

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[44] See attachments 289, 290, and 291, Plaintiffs' Second Supplemental Memorandum. See also n.13, supra.

[45] See attachment 292, Plaintiffs' Second Supplemental Memorandum. See also n.13, supra.

petitive activities not sufficiently related to the petitioning by KCS of administrative bodies to constitute immunized petitioning for discovery purposes. Accordingly, the documents and correspondence between those particular defendants and their attorneys in regard thereto (to the extent that the lawyers' services or advice were sought or used by the railroads) come within the crime-fraud exception to the two privileges asserted by defendants. While a *prima facie* showing has not been made that Chicago & North Western and Missouri Pacific actively engaged in these particular kinds of anticompetitive restraints, the *prima facie* evidence connecting all five railroads with a concerted effort to oppose ETSI's competitive project is sufficient to justify applying the crime-fraud exception to all documents in question that relate to attempts to stir others into opposing ETSI's quest for governmental permits.

In addition, ETSI has shown *prima facie* that the petitioning activities by KCS in connection with administrative hearings regarding permits sought by ETSI constituted shams [46] within the meaning of the sham exception to the *Noerr-Pennington* defense.[47] Consequently, the documents and correspondence between KCS and its lawyers in regard to opposition to such administrative proceedings during the course of or prior to the termination of such petitioning activities are subject to discovery as not being within the protection of the attorney-client or work product privileges. The evidence shows prima facie that baseless or colorable assertions, contrived to inter-

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[46] See California Motor Transport v. Trucking Unlimited, supra n.40.

[47] 23 of ETSI's 24 major permits were attacked. The broad, organized scope of the opposition is indicated by Attachments 270 and 272, Plaintiffs' Reply Memorandum. The repetitiveness of the attacks is evidence of sham petitioning; see Feminist Women's Health Center, Inc. v. Mohammad, 584 F.2d 530, 543 (5th Cir. 1978), *cert. denied* 444 U.S. 924 (1979).

fere with ETSI's applications rather than to secure the results ostensibly sought, were asserted by KCS, and that, as indicated circumstantially,[48] the other four railroads approved and cooperated in those efforts. Therefore, none of the five railroads is entitled to *Noerr-Pennington* protection in regard to the activities relating to KCS's "petitioning" of administrative bodies concerning ETSI's quest for requisite permits.

D. *The Andrews Litigation.* The two *Andrews* lawsuits were a challenge to the Department of Interior as to water and KCS was at least partly successful in that litigation. Defendants urge that the *Andrews*[49] litigation could not be sham litigation because KCS, who was plaintiff in *Andrews*, prevailed on the merits. By definition, litigation judicially found to be meritorious is not and cannot be a sham.[50] Furthermore, and aside from the fact that KCS was partly successful, the court finds (although it is a close question) that ETSI has not submitted evidence sufficient to make a *prima facie* showing that the *Andrews* litigation constituted a sham within the meaning of the sham exception to the *Noerr-Pennington* defense. Therefore, the activity of KCS in prosecuting *Andrews* is held not to be within the sham exception.

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[48] See, e.g., Attachments 234, 238, 239, 240, 243, 244, 245, and 268, Plaintiffs' Reply Memorandum, and Attachments 6, 65, and 67, Plaintiffs' Memorandum. See also n.13, supra.

[49] One *Andrews* suit was brought by Kansas City Southern and the second *Andrews* suit was brought by the states of Nebraska, Iowa and Missouri. In connection with the suit by Nebraska, Nebraska requested of Union Pacific some assistance such as legal research on relevant federal law.

[50] See Mid-Texas Communications Systems, Inc., v. A.T.&T., 615 F.2d 1372, 1383 (5th Cir. 1980), *cert. denied* 449 U.S. 967 (1980); Handler & DeSovo, The *Noerr* Doctrine and Its Sham Exception, 6 Cardozo L. Rev. 1, 30 (1984) (It "should be self-evident that a suit cannot, in any sense of the word, be a 'sham' when it has been found meritorious."). Cf. Coastal States Marketing v. Hunt, 694 F.2d 1358, 1372 (5th Cir. 1983) ("Because there was also a genuine legal dispute, however, the litigation was protected").

ETSI's strongest evidence is that Kansas City Southern made efforts to have other defendant railroads join as co-plaintiffs in *Andrews*, but the efforts were not successful. Such efforts to cause other defendants to join in a lawsuit that proved to be successful cannot change *Andrews* itself into sham litigation. Even if the other railroads had been persuaded to join as co-plaintiffs, the successful case could not be sham litigation. The unsuccessful efforts by KCS to persuade other railroads to join as co-plaintiffs in *Andrews* was not part of KCS's petitioning of a court, however, and such attempts to persuade are, therefore, considered as part of ETSI's *prima facie* showing, for purposes of discovery, that KCS purposefully used its attorneys in antitrust activities.

The legal research and similar activities performed by Union Pacific for Nebraska presents an unique question in regard to petitioning activities. Whether or not the assistance was at the request of Nebraska (which is disputed), it appears to the court that for Union Pacific to have supplied legal research and assistance to Nebraska as a part of its seeking to persuade Nebraska to bring the suit would constitute a petitioning of Nebraska and would be within the protection of *Noerr-Pennington*. Accordingly, it is held that documents relating to the legal assistance rendered by Union Pacific to Nebraska in *Andrews* are protected.

VII. Alternative Work Product Requests

ETSI seeks, wholly aside from the crime-fraud contentions, to discover certain documents for which the work product privilege is claimed. The position of ETSI that such documents are discoverable rests on two theories: (1) the work product privilege does not apply to documents of a factual nature (as distinguished from documents reflecting a lawyer's mental impressions) in cases subsequent to the case in connection with which the docu-

ment was prepared;[51] (2) documents reflecting a lawyer's mental impressions are discoverable under the "substantial need" rule when the legal advice is in issue in the lawsuit.

In any event, ETSI has not met the "substantial need" requirement of Rule 26(b)(3), Fed.R.Civ.Pro., nor could ETSI show substantial need at this stage of this litigation, for much discovery—including that granted by this order—remains to be done. The request under the "substantial need" theory is premature at this time.

VIII. Waiver of Privilege by Defendants

ETSI contends that the privileges were waived by defendants because defendants "assert that these activities did not violate the antitrust laws because they were in good faith and were aimed at legislative, administrative, and judicial bodies and therefore exempt from the antitrust laws under the *Noerr* doctrine."[52] The gist of the ETSI argument is that assertion in an antitrust case of the *Noerr-Pennington* defense necessarily waives by implication the attorney-client and the work product privileges as to all documents regarding activities constituting governmental petitioning within the meaning of that doctrine.[53] Defendants, on the other hand, find the ETSI

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[51] This contention is overruled on the basis of In re Grand Jury Subpoena Dated 11/8/79, 622 F.2d 933 (6th Cir. 1980); In re Internat'l. Systems & Controls Corp., 91 F.R.D. 552 (S.D. Tex. 1981).

[52] Plaintiffs Supplemental Memorandum in Support of Their Second Motion to Compel Production of Documents, at 2. At 3, ETSI points out that each defendant has relied on the *Noerr-Pennington* defense.

[53] ETSI relies largely on cases following the well settled rule that making a defense of reliance on advice of counsel waives the attorney-client privilege as to communications relating to the advice given by counsel; see, e.g., FDIC v. United States, 527 F. Supp. 942 (S.D. W. Va. 1981); Hearn v. Rhay, 68 F.R.D. 574 (E.D. Wash. 1975) (assertion of affirmative defense is sufficient affirmative ac-

position to be a Catch-22 proposition: "Having alleged, as the basis for piercing the privilege, that the activities of defendants' lawyers were unlawful because of their improper motivations, ETSI would offer defendants only the options (1) of conceding the allegation (and thus losing the privilege under the crime-fraud exception), or (2) resisting the allegation (and thus losing the privilege by waiver)." [54]

The "sham" exception to *Noerr-Pennington* was alleged by ETSI, not by defendants. To sustain its allegation of the sham exception, ETSI bears the burden of making a *prima facie* showing that defendants, in their various petitioning activities, were motivated not by a desire to prevail on the petitioning but by a desire to injure a competitor by initiating the petition, or by petitioning, falsely.[55] It follows that the issue of defendants' motivation or state-of-mind was injected not by defendants but by ETSI in asserting its sham exception to the *Noerr-Pennington* defense. Therefore, defendants are not in the Catch-22 situation suggested by ETSI, and defendants have not impliedly waived the work product and attorney-client privileges.

Chase Manhattan Bank v. Drysdale Securities Corp.[56] takes the appropriate approach to this kind of problem, regardless of narrow questions regarding allocation of

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tion for waiver). Defendants note, however, that none of the many recent cases interpreting the sham exception to the *Noerr-Pennington* doctrine has adopted the waiver position asserted by ETSI. See Defendants' Response to Plaintiffs' Supplemental Brief, at 3. In a situation similar to this litigation, the *Hearn v. Rhay* decision was rejected as inapposite; see Chase Manhattan Bank v. Drysdale Securities Corp., 587 F. Supp. 57 (S.D. N.Y. 1984).

[54] Defendants' Response to Plaintiffs' Supplemental Brief, at 2.

[55] See discussion, supra, at § VI, The "Sham" Exception, and particularly at n.33.

[56] 587 F. Supp. 57 (S.D. N.Y. 1984).

burdens of going forward with *prima facie* evidence. In *Chase*, the Magistrate, in reliance on *Hearn*,[57] had found an implied waiver and granted discovery sought by defendant Arthur Andersen & Co. against the bank. Andersen had asserted that there was an implied waiver resulting from the bank's filing of the securities fraud suit, which includes justifiable reliance as an element; Andersen said this put the prudence of Chase's behavior in issue. In holding there was no implied waiver, the court said that in the cases where implied waiver is found "the very subject of the communications was essential to that issue, either expressly so, or by implication," and that this factor was not present in Chase. The court further noted, "It cannot be possible for Andersen to justify breaching Chase's privilege by reason of its own pleading of an affirmative defense. That would give an adversary who is a skillful pleader the ability to render the privilege a nullity. Neither does the possible ultimate allocation of the burden to Chase on the issue of recklessness justify present release of the communications to Andersen." [58] Likewise, in this litigation it should not be possible for ETSI, by pleading the sham exception to the *Noerr-Pennington* doctrine, to eliminate all possibility of reliance by defendants upon the attorney-client and work product privileges.

It is found that defendants did not impliedly waive the privileges.

IX. Scope of Order

This order relates, of course, only to the questions whether there has been a *prima facie* showing of conduct in violation of antitrust laws and of sham petitioning, sufficient for discovery of documents claimed to be privileged. The findings and decisions herein are not rulings

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[57] See n.53, *supra*.

[58] Chase Manhattan Bank v. Drysdale Securities Corp., supra n.56, at 59.

upon admissibility of documents that may be discovered [59] and in no way impinge upon the determination of any issues of fact upon trial.

ORDER

The Motion to Compel Production of Documents (Crime-Fraud) is DENIED, except, however, it is GRANTED as to the following specifically described classes of documents, to the extent that each particular document, for which privilege is claimed, is reasonably relevant,[60] to a *prima facie* violation [61] of the antitrust laws:

(1) Documents relating to railroads' collectively denying or delaying crossing rights to ETSI (this group does not include documents relating to the window litigation, but to prior use of attorneys by railroads in denying or delaying crossing rights).

(2) Documents relating to participation by KCS, other railroad defendants, and Brown & Roady in petitioning federal, state, and local administrative agencies in regard to permits and authorizations sought by ETSI.

(3) Documents relating to activities on the part of Burlington Northern, Union Pacific, KCS and other defendant railroads to persuade other entities and individuals to oppose the grant by federal, state, and local administrative agencies of permits and authorizations sought by ETSI.

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[59] Compare United States v. Dyer, 722 F.2d 174, 178 (5th Cir. 1983); In re A.H. Robins Co., 107 F.R.D. 2 (D. Kan. 1985).

[60] Compare In re International Systems & Controls Corp., 693 F.2d 1235 (5th Cir. 1982); In re Sealed Case, 676 F.2d 793, 815 (D.C. Cir. 1982).

[61] In event of dispute regarding such relevancy of a particular document, it can be considered by the court *in camera*.

(4) Documents relating to activities by KCS to persuade other railroads to join in the *Andrews* litigation.

SIGNED and ENTERED on this ——day of January 1987.

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United States District Judge

APPENDIX D

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 87-2177

IN RE: BURLINGTON NORTHERN, INC., BURLINGTON NORTHERN RAILROAD COMPANY, UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD COMPANY, MISSOURI PACIFIC RAILROAD COMPANY, KANSAS CITY SOUTHERN INDUSTRIES, INC., KANSAS CITY SOUTHERN RAILWAY COMPANY AND CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,

Petitioners.

Appeal from the United States District Court for the Eastern District of Texas

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ON SUGGESTION FOR REHEARING *EN BANC*

(Opinion July 14, 5 Cir., 1987, —— F.2d ——)

(August 12, 1987)

Before BROWN, REAVLEY and JOLLY, Circuit Judges.

PER CURIAM:

(×) Treating the suggestion for rehearing en banc as a petition for panel rehearing, it is ordered that the petition for panel rehearing is DENIED. No member of the panel nor Judge in regular active service of this Court having requested that the Court be polled on rehearing en banc (Federal Rules of Appellate Procedure and Local Rule 35), the suggestion for Rehearing En Banc is DENIED.

( ) Treating the suggestion for rehearing en banc as a petition for panel rehearing, the petition for panel rehearing is DENIED. The judges in regular active service of this Court having been polled at the request of one of said judges and a majority of said judges not having voted in favor of it (Federal Rules of Appellate Procedure and Local Rule 35), the suggestion for Rehearing En Banc is DENIED.

ENTERED FOR THE COURT:

/s/ Thomas M. Reavley
United States Circuit Judge

APPENDIX E

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
BEAUMONT DIVISION

Civil Action No. B-84-979-CA

ETSI PIPELINE PROJECT, A JOINT VENTURE, AND ENERGY TRANSPORTATION SYSTEM, INC.

VS.

BURLINGTON NORTHERN, INC., *et al.*

[Filed July 22, 1987]

ORDER

The Court having reviewed the Fifth Circuit Opinion in the above case has concluded that undoubtedly it should set aside its previous Order dated February 13, 1987.

It is, therefore, ORDERED that the Court's Order of February 13, 1987, is set aside.

The parties may file new motions, re-assert old motions, propose additional findings on the existing record or make other suggestions that they deem appropriate.

SIGNED this 20th day of July, 1987.

/s/ Robert M. Parker
ROBERT M. PARKER
United States District Judge

APPENDIX F

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
BEAUMONT DIVISION

B-84-979-CA

ETSI PIPELINE PROJECT, A JOINT VENTURE, and
ENERGY TRANSPORTATION SYSTEM, INC.

vs.

BURLINGTON NORTHERN, *et al.*

[Filed Oct. 2, 1987]

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER OF THE COURT

§ 1 INTRODUCTION

This is an antitrust suit. The motion before the court is plaintiff ETSI's Renewal of its Motion for Production of Documents to which the defendants have asserted a *Noerr-Pennington* defense, attorney-client privilege, and work product defenses. The motion has been briefed and over-briefed. It was fully argued at a hearing held September 28, 1987. The matter is considered under guidelines established by the United States Court of Appeals for the Fifth Circuit. *In re Burlington Northern*, 822 F.2d 518 (5th Cir. 1987).

§ 2 *PLAINTIFFS' BURDEN OF PROOF*

Plaintiffs have previously established a *prima facie* case that a conspiracy existed to thwart plaintiffs' attempt to build a coal slurry pipeline from northern coal producing states to serve customers in the southwest in violation of the antitrust laws. A *prima facie* case has been made that each defendant railroad was a member of that conspiracy. What the motion at bar addresses is documents that the plaintiffs claim were made in the course and furtherance of the conspiracy.

For the plaintiffs to prevail, it must be proven that the documents in question, whose genesis was in litigation and in activities before administrative agencies, were a part of a sham. Proof of a sham requires a *prima facie* showing that the litigation was undertaken without a genuine desire for judicial relief as a significant motivating factor, *or* that there was no reasonable expectation of judicial relief, *or* that there was no reasonable basis for party standing. *In re Burlington Northern*, 823 F.2d 518, 534 (5th Cir. 1987).

The initial question for this court to address concerns the meaning of *prima facie* proof in the context of the motion presently before the court. Plaintiffs forcefully argue that *prima facie* proof, as used by the Fifth Circuit in its order, is equatable to the analysis required in determining whether an issue of fact exists sufficient to go to a jury. The court disagrees. The concept of *prima facie* proof is much used and occasionally abused. It can mean different degrees of proof under different circumstances. To require merely sufficient evidence to raise a fact issue does a disservice to the *Noerr-Pennington* doctrine. In order for a moving party to pierce the *Noerr-Pennington* shield surrounding petitioning activity, the proof of sham must be sufficient to overcome a presumption of validity. Plaintiffs must come to grips with *Coastal States'* recognition that invariably there exists a multiplicity of motivations giving rise to judicial litiga-

tion or agency petitioning. *See, Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1371 (5th Cir. 1983). Ultimate success may not be achieved until the plaintiffs prove a negative—that there was no genuine desire for judicial relief as a significant motivating factor. Defendants have argued correctly that the burden is an onerous one indeed.

Prima facie proof means that a party has presented sufficient proof to be entitled to proceed. In the context of its use in the motion before the court, that is in order for the plaintiffs to overcome the presumption of validity and prove the negative—that defendants were without a genuine desire for judicial relief as a significant motivating factor, ETSI can only make a *prima facie* case if its proof is both clear and convincing. In *Addington v. Texas*, 441 U.S. 418, 424, 99 S.Ct. 1804, 1808, 60 L.Ed.2d 323, 329 (1979), former Chief Justice Burger noted that the traditional burden of proof in a civil fraud case was by the intermediate standard of clear and convincing evidence. The fact that the common law standard was by clear and convincing evidence further reinforces this court's opinion that this is the proper standard in a scenario such as this where important interests are at stake. The plaintiff's proof in this case *is* clear and convincing.

A preponderance analysis is inappropriate in the sense that it assumes all the evidence is before the fact finder, which is not the case here. However, based on *available* evidence, a preponderance analysis in terms of whether the plaintiffs have established the fact to be "more likely true than not true" is both appropriate and proved. *Cf. Herman & MacLean v. Huddleston*, 459 U.S. 375, 103 S.Ct. 683, 691-92, 74 L.Ed.2d 548 (1983) (lower preponderance of the evidence standard appropriate in statutory securities fraud case). Certainly, sufficient evidence under either standard is available to the court for the following Findings of Fact.

§ 3 FINDINGS OF FACT

1. The defendant railroads engaged in each of the "window" lawsuits, *see* attached Exhibit 1, without a genuine desire for judicial relief as a significant motivating factor.

2. The defendant railroads' desire to influence and obtain judicial relief throughout each of the "window" lawsuits, *see* attached Exhibit 1, was insignificant, incidental, and not a significant motivating factor.

3. The railroad defendants' primary motive in each of the "window" lawsuits, *see* attached Exhibit 1, was to harm a competitor through the mere invocation and maintenance of the judicial process.

4. Kansas City Southern initiated and engaged in *Kansas City Southern Railway v. Andrews*, CV82-L-443 (D. Neb. 1984), *sub nom., Missouri v. Andrews*, 586 F.Supp. 1268 (D. Neb. 1984), *aff'd*, 787 F.2d 270 (8th Cir. 1986), *cert. granted*, —— U.S. ——, 107 S.Ct. 1346, 94 L.Ed.2d 517 (1987) without a genuine desire for judicial relief as a significant motivating factor.

5. Kansas City Southern's desire to influence and obtain judicial relief in *Kansas City Southern Railway v. Andrews*, CV82-L-443 (D. Neb. 1984), *sub nom., Missouri v. Andrews*, 586 F.Supp. 1268 (D. Neb. 1984), *aff'd*, 787 F.2d 270 (8th Cir. 1986), *cert. granted*, —— U.S. ——, 107 S.Ct. 1346, 94 L.Ed.2d 517 (1987) was insignificant, incidental, and not a significant motivating factor.

6. Kansas City Southern's primary motive in *Kansas City Southern Railway v. Andrews*, CV82-L-443 (D. Neb. 1984) was to harm a competitor through the mere invocation and maintenance of the judicial process.

7. Union Pacific, although not named as a formal party to the suit, initiated and facilitated *Missouri v. Andrews* (CV82-L-442), 586 F.Supp. 1268 (D. Neb.

1984), *aff'd*, 787 F.2d 270 (8th Cir. 1986), *cert. granted*, —— U.S. ——, 107 S.Ct. 1346, 94 L.Ed.2d 517 (1987) without a genuine desire for judicial relief as a significant motivating factor.

8. Although not named as a formal party to the suit, Union Pacific's primary motive in *Missouri v. Andrews* (CV82-L-442), 586 F.Supp. 1268 (D. Neb. 1984), *aff'd*, 787 F.2d 270 (8th Cir. 1986), *cert. granted*, —— U.S. ——, 107 S.Ct. 1346, 94 L.Ed.2d 517 (1987) was to harm a competitor through the mere invocation and maintenance of the judicial process.

9. The other railroad defendants represented to this court that they were not involved in *Kansas City Southern Railway v. Andrews*, CV82-L-443 (D. Neb. 1984) or *Missouri v. Andrews*, CV82-L-442 (D. Neb. 1984), and therefore any documents they may have relating or referring to the *Andrews* litigation would not be protected by *Noerr-Pennington*, the attorney-client privilege, or the work product privilege.

10. Burlington Northern, Union Pacific, and Kansas City Southern engaged in numerous attempts to stir up opposition on the part of other entities with regard to the granting of permits sought by ETSI from various administrative bodies.

11. All of the railroad defendants engaged in multiple efforts to oppose the granting of permits sought by ETSI from various administrative agencies.

12. The petitioning activities of Kansas City Southern with regard to the granting of permits sought by ETSI from various administrative bodies were a sham.

13. The defendants sole significant motivating factor in the "window" lawsuits, the *Andrews* litigation, and the administrative petitioning activities was anticompetitive. The sole significant motivation was to "kill" the coal slurry pipeline project by delay facilitated through-

the mere invocation and maintenance of the judicial and administrative process.

14. At this time, the court finds no need and therefore makes no finding with regard as to whether the railroad defendants may have had a reasonable expectation of judicial relief in either the "window" or *Andrews* litigation.

15. At this time, the court finds no need and therefore makes no finding with regard as to whether the railroad defendants may have had a reasonable basis for party standing in the *Andrews* litigation.

§ 4 *CONCLUSIONS OF LAW*

1. The plaintiffs (collectively referred to as ETSI) have sustained their burden to make a "*prima facie*" showing that the railroad defendants engaged in each of the "window" lawsuits without a genuine desire for judicial relief as a significant motivating factor. The court specifically makes this finding with regard to each of the "window" lawsuits, *see* Exhibit 1 which is hereby incorporated by reference for purposes of this opinion and order. Since the railroad defendants engaged in each of the "window" lawsuits without a genuine desire for judicial relief as a significant motivating factor, their participation in each of these "window" suits constituted a sham. The *Noerr-Pennington* doctrine offers no protection to sham activities. Accordingly, the crime-fraud exception to the attorney-client and work product privileges allows full discovery of any matters relating or referring to the individual "window" lawsuits from each defendant railroad.

2. The plaintiffs have sustained their burden to make a "*prima facie*" showing that Kansas City Southern and Union Pacific engaged in and facilitated the *Andrews* lawsuits without a genuine desire for judicial relief as a significant motivating factor. Since these defendants en-

gaged in each of the *Andrews* lawsuits without a genuine desire for judicial relief as a significant motivating factor, their participation in each of these suits constituted a sham. The fact that Union Pacific was not a formal party to *Missouri v. Andrews* is of no consequence. The *Noerr-Pennington* doctrine offers no protection to sham activities. Accordingly, the crime-fraud exception to the attorney-client and work product privileges allow full discovery of any matters relating or referring to the individual *Andrews* lawsuits from Kansas City Southern and Union Pacific. Since the other railroad defendants represented to this court that they were not involved in *Kansas City Southern Railway v. Andrews* (CV82-L-443) or *Missouri v. Andrews* (CV82-L-442), any documents that these defendants may have relating or referring to the *Andrews* litigation are not protected from discovery by *Noerr-Pennington*, the attorney-client privilege, or the work product privilege.

3. The plaintiffs have sustained their burden to make a "*prima facie*" showing that the anticompetitive activities of Burlington Northern, Union Pacific, and Kansas City Southern, designed to stir up opposition to various administrative permits sought by ETSI, were not sufficiently motivated by a genuine desire for relief as a significant motivating factor. Therefore, any documents and correspondence between these particular defendants and their attorneys come within the crime-fraud exception to the two asserted privileges. Furthermore, *prima facie* evidence connecting each defendant with an effort to delay the administrative process justifies the invocation of the crime-fraud exception with respect to all of the railroad defendants.

4. The plaintiffs have sustained their burden to make a *prima facie* showing that the petitioning activities of the Kansas City Southern in connection with administrative hearings regarding permits sought by ETSI were sham. The *Noerr-Pennington* doctrine offers no protection

for sham petitioning, and therefore the crime-fraud exception becomes applicable. Consequently, the documents and correspondence between Kansas City Southern and its lawyers regarding these administrative hearings during the course of, or prior to, the termination of such petitioning activities are subject to discovery.

5. The states of Iowa, Missouri, and Nebraska may validly assert the attorney-client privilege to the extent that confidentiality was maintained.

§ 5 *ORDER OF THE COURT*

1. Pursuant to the preceding Findings of Fact and Conclusions of Law, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that each of the railroad defendants produce all documents for which an attorney-client or work product privilege has been claimed which relate, refer to, mention, or concern the following:

A. Each of the individual lawsuits commonly known as the "window" litigation, *see* attached Exhibit 1;

B. Each of the individual lawsuits commonly known as the *Andrews* litigation;

C. Any application or filing by ETSI before an administrative agency (federal, state, or local) for a permit or authorization concerning the coal slurry pipeline.

2. Any document claimed as privileged by the states of Iowa, Missouri, or Nebraska shall be submitted to this court for an *in camera* inspection.

3. Because of the ongoing nature of the *Andrews* litigation, all documents produced by any party which refer or relate to the *Andrews* litigation shall be subject to *in camera* inspection by this court. Similar to a Fed. R. Evid. 403 analysis, the court will consider whether the probative value of the evidence is substantially outweighed by the danger of unfair prejudice to the de-

fendants. After engaging in this balancing analysis, the court shall then determine whether such evidence is discoverable.

4. All other discovery matters are hereby assigned to Magistrate Mike Bradford pending further orders of this court.

SIGNED and ENTERED this 2nd day of October, 1987.

/s/ Robert M. Parker
ROBERT M. PARKER
United States District Judge

B-84-949-CA

Exhibit 1

WINDOW LITIGATION

Style of Case	Cause No.	Court
Energy Transportation Systems, Inc., a Delaware corporation v. Chicago Northwestern Transportation Company	C-76-131	United States District Court for the District of Wyoming
Energy Transportation Systems, Inc., a Delaware corporation v. Burlington Northern, Inc.	C-76-130	United States District Court for the District of Wyoming
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	C-76-129B	United States District Court for the District of Wyoming
Energy Transportation Systems, Inc., a Delaware corporation v. Burlington Northern, Inc., a Delaware corporation	CV-77-L-164	United States District Court for the District of Nebraska
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	5911	District Court of Morrill County, Nebraska
Energy Transportation Systems, Inc., a Delaware corporation and Board of Educational Lands and Funds of the State of Nebraska v. Union Pacific Railroad Company, a Utah corporation	CV-77-L-167	United States District Court for the District of Nebraska
	79-1259	United States Court of Appeals, 8th Circuit
Energy Transportation Systems, Inc., a Delaware corporation v. Burlington Northern, Inc., a Delaware corporation	CV-77-L-165	United States District Court for the District of Nebraska
Energy Transportation Systems, Inc., a Delaware corporation v. Burlington Northern, Inc., a Delaware corporation	CV-77-L-166	United States District Court for the District of Nebraska

Style of Case	Cause No.	Court
Energy Transportation Systems, Inc., a Delaware corporation v. Burlington Northern, Inc., a Delaware corporation	77-C-10	17th Judicial District Court, Rawlins County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Burlington Northern, Inc., a Delaware corporation	79-C-9	17th Judicial District Court, Decatur County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	77-C-13	15th Judicial District Court, Sheridan County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	79-C-10	15th Judicial District Court, Graham County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	77-C-6	23rd Judicial District Court, Trego County, Kansas, Civil Department
	77-4116	United States District Court for the District of Kansas
	78-1680	10th Circuit Court of Appeals
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	79-C-11	State District Court of Trego County, Kansas
	79-4079	United States District Court, Kansas

Style of Case	Cause No.	Court
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation, et al.	5509	15th Judicial District Court, Thomas County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Union Pacific Railroad Company, a Utah corporation	77-C-16	District Court, Gove County, Kansas
	77-4151	United States District Court for the District Kansas
	78-1681	10th United States Circuit Court of Appeals
Energy Transportation Systems, Inc., a Delaware corporation v. Missouri Pacific Railroad Company, a Missouri corporation	77-C-17	24th Judicial District Court, Rush County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-18	24th Judicial District Court, Rush County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-254	20th Judicial District Court, Barton County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-105	27th Judicial District Court, Reno County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-104	27th Judicial District Court, Reno County, Kansas, Civil Department

Style of Case	Cause No.	Court
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-48	19th Judicial District Court, Kingman County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-1096	18th Judicial District Court, Sedgwick County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Missouri Pacific Railroad Company, a Missouri corporation	77-C-122	19th Judicial District Court, Sumner County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Missouri Pacific Railroad Company, a Missouri corporation	77-C-123	19th Judicial District Court, Sumner County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	25196	19th Judicial District Court, Sumner County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	78-C-226	19th Judicial District Court, Sumner County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-124	19th Judicial District Court, Sumner County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware Corporation v. Missouri Pacific Railroad Company, a Missouri corporation	78-C-1753	18th Judicial District Court, Sedgewick County, Kansas, Civil Department

Style of Case	Cause No.	Court
Energy Transportation Systems, Inc., a Delaware corporation v. Missouri Pacific Railroad Company, a Missouri corporation, et al.	C-37229	District Court of Sedgewick County, Kansas
Energy Transportation Systems, Inc., a Delaware corporation v. St. Louis-San Francisco Railway Company, a Missouri corporation, et al.	C-37228	18th Judicial District Court, Sedgewick County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-250	9th Judicial District Court, Harvey County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Missouri Pacific Railroad Company, a Missouri corporation	77-C-251	9th Judicial District Court, Harvey County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company, a Delaware corporation	77-C-51	8th Judicial District Court, Marion County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Missouri Pacific Railroad Company, a Missouri corporation	77-C-37	8th Judicial District Court, Morris County, Kansas, Civil Department
Energy Transportation Systems, Inc., a Delaware corporation v. Atchison, Topeka and Santa Fe Railway Company	77-C-38	8th Judicial District Court, Morris County, Kansas, Civil Department
Energy Transportation Systems, Inc. v. St. Louis-San Francisco Railway Company, a corporation	C-77-83-PC	District Court of Kay County, Oklahoma
	C-77-517-E	United States District Court for the Western District of Oklahoma

Style of Case	Cause No.	Court
Energy Transportation Systems, Inc. v. Atchison, Topeka and Santa Fe Railway Company, a corporation	C-77-84-PC	District Court of Kay County, Oklahoma
Energy Transportation Systems, Inc. v. Atchison, Topeka and Santa Fe Railway Company, a corporation	C-77-65	District Court of Noble County, Oklahoma
Energy Transportation Systems, Inc. v. Atchison, Topeka and Santa Fe Railway Company	C-77-193	District Court of Osage County, Oklahoma
Energy Transportation Systems, Inc. v. Missouri Pacific Company, a foreign corporation	C-77-154	District Court of Osage County, Oklahoma
Energy Transportation Systems, Inc. v. Atchison, Topeka and Santa Fe Railway Company	C-77-230	District Court of Washington County, Oklahoma
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company, a foreign corporation	C-77-135	District Court of Wagoner County, Oklahoma
Energy Transportation Systems, Inc. v. St. Louis-San Francisco Railway Company, a corporation	C-77-464	District Court of Muskogee County, Oklahoma
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company, a corporation	C-77-53	District Court of Haskell County, Oklahoma
Energy Transportation Systems, Inc. v. Kansas City Southern Railway Company, and Fort Smith and Van Buren Railway Company, a corporation	C-77-318	District Court of LeFlore County, Oklahoma
	52,680	Supreme Court of Oklahoma
Energy Transportation Systems, Inc. v. Kansas City Southern Railway Company, a corporation	C-77-319	District Court of LeFlore County, Oklahoma

Style of Case	Cause No.	Court
	52-680	Supreme Court of Oklahoma
Energy Transportation Systems, Inc. v. St. Louis-San Francisco Railway Company, a corporation	C-77-235	District Court of LeFlore County, Oklahoma
Energy Transportation Systems, Inc. v. St. Louis-San Francisco Railway Company, a corporation	C-77-423	District Court of Rogers County, Oklahoma
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company, a corporation	C-77-422	District Court of Rogers County, Oklahoma
Energy Transportation Systems, Inc. v. St. Louis-San Francisco Railway Company, a corporation	C-77-427	District Court of Rogers County, Oklahoma
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company	E-76-370	Chancery Court of Saline County, Arkansas
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company	E-76-646	Chancery Court of Jefferson County, Arkansas
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company	E-76-106	Chancery Court of Drew County, Arkansas
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company	76-243	Chancery Court of Ashley County, Arkansas
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company	761-151	United States District Court for the Western District of Louisiana, Monroe Division

Style of Case	Cause No.	Court
Energy Transportation Systems, Inc. v. Missouri Pacific Railroad Company	E-76-646	Parish of West Carroll, Louisiana, 5th District Court
	761-150	United States District Court

APPENDIX G

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
BEAUMONT DIVISION

B-84-979-CA

ETSI PIPELINE PROJECT, A JOINT VENTURE, AND ENERGY TRANSPORTATION SYSTEM, INC.

vs.

BURLINGTON NORTHERN, *et al.*

[Filed Oct. 14, 1987]

ORDER

CAME ON for consideration the defendants' Motion for Stay of this Court's October 2, 1987 Order Pending Disposition of: (1) Petition for Writ of Certiorari in the United States Supreme Court; and (2) Petition for Writ of Mandamus in the United States Court of Appeals for the Fifth Circuit. After due consideration, the Court is of the opinion that a stay should be granted pending the disposition of the Petition for Writ of Mandamus in the Fifth Circuit only.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that the defendants' Motion for Stay of this Court's October 2, 1987 Order Pending Disposition of a Petition for Writ of Certiorari in the United States Supreme Court is DENIED. The defendants' Motion for

Stay of this Court's October 2, 1987 Order Pending Disposition of a Petition for Writ of Mandamus in the United States Court of Appeals for the Fifth Circuit is GRANTED.

SIGNED this 14th day of October, 1987.

/s/ Robert M. Parker
ROBERT M. PARKER
United States District Judge

APPENDIX H

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
BEAUMONT DIVISION

Cause No. B-84-979-CA

ETSI PIPELINE PROJECT, A JOINT VENTURE, AND
ENERGY TRANSPORTATION SYSTEM, INC.

vs.

BURLINGTON NORTHERN, INC., *et al.*

ORDER

Now comes the Court, upon consideration of Defendant's Motion for Partial Summary Judgment (Andrews) and Plaintiff's response thereto, and Orders that Defendant's Motion is denied.

The Court finds that there are material issues of disputed fact regarding whether the Defendants' activities throughout the course of the *Andrews* litigation is protected under the *Noerr-Pennington* doctrine. The Court finds that Plaintiffs have presented sufficient evidence to raise a fact issue of whether Defendants' conduct throughout the entire campaign to stop the ETSI project, including the *Andrews* litigation, was in bad faith and therefore constituting a sham proceeding which is not entitled to the *Noerr* shield.

Therefore, Defendants' Motion for Partial Summary Judgment concerning the *Andrews* litigation is denied.

Signed this 13th day of February, 1987.

/s/ Robert M. Parker
ROBERT M. PARKER
United States District Judge

APPENDIX I

THE *NOERR* DOCTRINE AND ITS SHAM EXCEPTION

Milton Handler *
*and Richard A. De Sevo***

What is and what is not a sham is the Hamlet-like question that has perplexed the lower courts in the two decades since the Supreme Court, in a "new and unusual application of the Sherman Act," [1] enunciated the *Noerr* doctrine. That doctrine provides that concerted efforts by private parties to induce government action in their own self-interest cannot be the basis of antitrust liability even if the conduct is motivated by an anticompetitive purpose, has an anticompetitive effect, and injures competitors or competition.[2] In view of the importance in a democracy of allowing full play for the exercise of the right to petition the government, even in the context of internecine warfare between competing groups or industries, the Court deemed it irrelevant from an antitrust standpoint that the defendants may have been inspired by malice, engaged in fraud and deception, or indulged in other unethical conduct.[3]

The Court, however, noted an exception to this broad principle:

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* Professor Emeritus of Law, Columbia University. A.B., 1924, L.L.B., 1926, Columbia University; L.L.D. (honoris causa), 1965, Hebrew University; Member, New York Bar.

** A.B., 1973, Syracuse University; J.D., 1976, National Law Center, George Washington University; Member, New York Bar.

[1] Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127, 135 (1961).

[2] Id. at 135-38; see infra notes 9-14 and accompanying text.

[3] *Noerr*, 365 U.S. at 135-41; see infra notes 26-35 and accompanying text.

> There may be situations in which a publicity campaign, ostensibly directed toward influencing governmental action, is a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor and the application of the Sherman Act would be justified. But this certainly is not the case here. No one denies that the railroads were making a genuine effort to influence legislation and law enforcement practices.[4]

Since Justice Black did not define the content and scope of this exception, that critical task has fallen to the lower courts. Little difficulty has been experienced in applying the doctrine to appeals to the legislature or executive where the only issue is whether the relief is genuinely sought. When litigation is instituted in the courts or before quasi-judicial administrative bodies, however, the line between the rule and its exception becomes more difficult to draw. Where litigation has been unsuccessful, some courts have drawn the line to invoke the exception. This, in our view, is directly contrary to *Noerr*'s teachings. Perhaps the most egregious example is *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*,[5] where the Seventh Circuit, in an opinion by Judge Posner, an eminent antitrust scholar, intimated that even if a lawsuit is instituted with a reasonable basis in law and fact, it might still give rise to antitrust liability if the underlying purpose of the suit is anticompetitive and if the other elements of an antitrust suit—existence of a relevant market, antitrust injury, etc.—are established.[6]

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[4] *Noerr*, 365 U.S. at 144.

[5] 694 F.2d 466 (7th Cir. 1982), cert. denied, 103 S. Ct. 2430 (1983).

[6] Id. at 470-73. Compare MCI Communications Corp. v. American Tel. & Tel. Co., 708 F.2d 1081, 1153-55 (7th Cir.), cert. denied, 104 S. Ct. 234 (1983), and Litton Sys. v. American Tel. & Tel. Co., 700 F.2d 785, 809-19 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984), discussed infra notes 189-208 and accompanying text.

Recently, in *Bill Johnson's Restaurants, Inc. v. NLRB*,[7] the Supreme Court unanimously held that the National Labor Relations Board ("NLRB") could not enjoin as an unfair labor practice a pending state court suit by an employer against union members where there was a reasonable basis in law or fact for bringing the suit. In reaching this decision, the Court relied upon *Noerr* and the first amendment values that it safeguards. The precise effect of this ruling in an antitrust context, however, is not entirely clear. The time is therefore ripe for a reexamination of the lower court rulings (the most dubious of which is *Grip-Pak*) that have tended to expand the exception at the expense of the rule itself.

In this Article, we propose to outline the analytical basis and policy postulates of *Noerr* and to parse the *California Motor Transport* decision,[8] whose loose language has been the proximate cause of much of the uncertainty concerning the relationship of the sham exception to the rule. After a statistical overview of the lower court decisions interpreting *Noerr*, we will review the case law dealing with appeals to the legislature, the executive, administrative bodies exercising quasi-legislative or quasi-judicial powers, and the courts. Next, we will attempt to determine the effect of *Bill Johnson's Restaurants* in placing the rule and its exception in proper relationship in the context of litigation between competitors—the area in which the lower court decisions are in disarray. Finally, we will set forth our conclusions as to where the rule should properly end and the exception begin so that the doctrine's salutary objectives are not needlessly sacrificed and the sham exception is accorded the scope—no more but no less—intended by the Court when it handed down its landmark decision in *Noerr*. If *Noerr* is to be repudiated in whole or in part,

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[7] 103 S. Ct. 2161, 2173 (1983).

[8] California Motor Transport Co. v. Trucking Unlimited, 404 U.S. 508 (1972).

the Supreme Court should speak with a single voice, in terms both clear and certain, so that the new rule can be consistently applied by the lower courts and fully understood by the public.

I. THE DOCTRINE

In *Noerr*, the defendant railroads had petitioned the Pennsylvania Legislature for legislation that would have impaired the ability of their trucking company competitors to compete for long-distance freight business. The Supreme Court held that the railroads' concerted lobbying efforts could not violate the antitrust laws because Congress had not intended the Sherman Act to prohibit "persons from associating together in an attempt to persuade the legislature or the executive to take particular action with respect to a law that would produce a restraint or a monopoly." [9] Justice Black explained that although such joint efforts to influence the legislature or executive "could perhaps, through a process of expansive construction, be brought within the general proscription of 'combination[s] . . . in restraint of trade,' they bear very little if any resemblance to the combinations normally held violative of the Sherman Act . . . ." [10]

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[9] *Noerr*, 365 U.S. at 136. The railroads sought the "passage of state laws relating to truck weight limits and tax rates on heavy trucks, and . . . encourage[d] a more rigid enforcement of state laws penalizing trucks for overweight loads and other traffic violations," id. at 131, all of which, the plaintiff truckers charged, would be "destructive of the trucking business," id. at 129.

[10] Id. at 136 (citing Apex Hosiery Co. v. Leader, 310 U.S. 469, 490-93 (1940), where the Court held that Congress did not intend the Sherman Act's proscription of "restraints of trade" to bar a labor sitdown strike); see also Parker v. Brown, 317 U.S. 341, 350-52 (1943) (Sherman Act's proscription of "restraint of trade" was not intended to bar conduct by the state); Standard Oil Co. v. United States, 221 U.S. 1, 51-62 (1911) (based on examination of English and American common law, Sherman Act prohibits only "restraints of trade" by "individuals or corporations").

The Court went on to note that a contrary statutory interpretation would present "other difficulties": [11]

> [First], such a holding would substantially impair the power of government to take actions through its legislature and executive that operate to restrain trade. In a representative democracy such as this, these branches of government act on behalf of the people and, to a very large extent, the whole concept of representation depends upon the ability of the people to make their wishes known to their representatives. To hold that the government retains the power to act in this representative capacity and yet hold, at the same time, that the people cannot freely inform the government of their wishes would impute to the Sherman Act a purpose to regulate, not business activity, but political activity, a purpose which would have no basis whatever in the legislative history of that Act.[12]

Second, "and of at least equal significance," a different construction of the antitrust laws "would raise important constitutional questions." [13] As Justice Black explained, "[t]he right of petition is one of the freedoms protected by the Bill of Rights, and we cannot, of course, lightly impute to Congress an intent to invade these freedoms." [14]

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[11] *Noerr*, 365 U.S. at 137.

[12] Id. (footnote omitted). For a discussion of the legislative history of the Sherman Act, see Coastal States Mktg., Inc. v. Hunt, 694 F.2d 1358, 1364-65 n.21 (5th Cir. 1983); Missouri v. National Org. for Women, Inc., 620 F.2d 1301, 1304-09 (8th Cir.), cert. denied, 449 U.S. 842 (1980).

[13] *Noerr*, 365 U.S. at 137-38.

[14] Id. at 138. The first amendment provides, in relevant part, that "Congress shall make no law . . . abridging . . . the right of the people . . . to petition the Government for a redress of grievances." U.S. Const. amend. I.

[Footnote Continued]

By grounding its decision on the intent of Congress rather than on the first amendment, the Court in *Noerr* correctly focused on antitrust concerns and provided a workable rule of legality: Was the defendants' conduct

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[14] [Continued]

There were other approaches that the Court might have followed rather than resting its decision on an ex post facto reconstruction of the intention of the 51st Congress. In a sense, Justice Black, to whom the Rule of Reason was anathema, was balancing one set of values, the right of petition, against another, competition as a *summum bonum*, or what a fifteenth century judge termed "an ease to the people." The Schoolmaster Case, Y.B. Hil. 11 Hen. 4, f. 47, pl. 21 (1410), reprinted in M. Handler, Cases and Materials on Trade Regulation 143 (1967). However, while such balancing had a sound common law legitimacy, see Handler & Lazaroff, Restraint of Trade and the Restatement (Second) of Contracts, 57 N.Y.U. L. Rev. 669, 721-27 (1982), it was inconsonant with the view then prevalent, see Chicago Board of Trade v. United States, 246 U.S. 231, 238 (1918), and later ordained in National Soc'y of Professional Eng'rs v. United States, 435 U.S. 679, 691-92 (1978), that the anticompetitive features of a restraint must be overcome by its procompetitive effects for it to be lawful. Obviously, the *Noerr* conspiracy had no procompetitive advantages. Its object was to throttle the competition of the long haul truckers. It would have been equally inadequate to place the Court's holding on the constitutional pedestal of the first amendment right of petition and free speech. The *Noerr* defendants had indulged in knowing deception and falsehood—conduct that the Court has at times excluded from the shelter of the first amendment. Compare Bill Johnson's Restaurants, Inc. v. NLRB, 103 S. Ct. 2161, 2170 (1983) ("false statements are not immunized by the First Amendment"), and Brown v. Hartlage, 456 U.S. 45, 60 (1982) ("demonstrable falsehoods are not protected by the First Amendment in the same manner as truthful statements"), and Herbert v. Lando, 441 U.S. 153, 171 (1979) ("[s]preading false information in and of itself carries no First Amendment credentials"), with Bose Corp. v. Consumers Union of United States, Inc., 104 S. Ct. 1949, 1961 n.22, 1966 (1984) (innocent or nonreckless erroneous statement in commercial speech and tolerated because of the potential chilling effect on free speech), and Gertz v. Robert Welch, Inc., 418 U.S. 323, 340 (1974) ("[n]either the intentional lie nor the careless error" advances interest in public debate, but "punishment of error runs the risk of inducing a cautious and restrictive exercise" of freedom of

"directed toward influencing governmental action" or was it "a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor?" [15] In other words, the issue is not, as some courts have stated, whether conduct otherwise violative of the Sherman Act is "exempt" from its strictures; [16] rather, it is whether Congress intended the antitrust laws to prohibit the petitioning of government for action beneficial to the petitioners and harmful to their competitors. By viewing the issue in this manner, the *Noerr* doctrine can be applied without fear of seemingly approving the propriety or morality of the defendants' conduct—a fear that has mistakenly perme-

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speech), and Garrison v. Louisiana, 379 U.S. 64, 73-75 (1964) (constitutional principles prelude adverse consequences for any but knowing or reckless falsehood), and New York Times Co. v. Sullivan, 376 U.S. 254, 279 n.19 (1964) ("[e]ven a false statement may be deemed to [make a valuable contribution] to public debate," since by its conflict with truth it promotes a clearer perception of truth). Moreover, if the *Noerr* doctrine were premised on the first amendment right to petition, it would unnecessarily convert antitrust issues into constitutional ones—a result that would run contrary to the Court's general inclination to avoid constitutional rulings wherever possible. See, e.g., Califano v. Yamasaki, 442 U.S. 682, 692-93 (1979); United States v. Rumely, 345 U.S. 41, 45 (1953); United States v. Delaware & Hudson Co., 213 U.S. 366, 407-08 (1909).

[15] *Noerr*, 365 U.S. at 144.

[16] See, e.g., Litton Sys. v. American Tel. & Tel. Co., 700 F.2d 785, 806-07 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984); Grip-Pak, Inc. v. Illinois Tool Works, Inc., 694 F.2d 466, 470-71 (7th Cir. 1982), cert. denied, 103 S. Ct. 2430 (1983); American Prod. Welding Corp. v. Zurich-American Ins. Co., No. 80-1746 (6th Cir. Feb. 18, 1982); North Carolina Elec. Membership Corp. v. Carolina Power & Light Co., 666 F.2d 50, 53 (4th Cir. 1981); Ernest W. Hahn, Inc. v. Codding, 615 F.2d 830, 838 (9th Cir. 1980); Israel v. Baxter Labs., Inc., 466 F.2d 272, 275 (D.C. Cir. 1972); City of Atlanta v. Ashland-Warren, Inc., 1982-1 Trade Cas. (CCH) ¶ 64,527, at 72,925-29 (N.D. Ga. 1981); see infra note 116.

ated many of the lower courts' decisions.[17] Moreover, this approach avoids a wholly useless entanglement in the perplexing antitrust exemption doctrine, whose contribution is only to confuse and not to clarify.[18]

Following *Noerr*, the Court applied its exculpating principles to appeals to the nonlegislative branches of government.[19] Thus, *United Mine Workers v. Pennington*[20] reaffirmed that *Noerr* shields efforts to influence public officials. In an opinion by Justice White, the Court

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[17] See, e.g., Litton Sys. v. American Tel. & Tel. Co., 700 F.2d 785, 809-12 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984); Westborough Mall, Inc. v. City of Cape Girardeau, 693 F.2d 733, 746 (8th Cir. 1982), cert. denied, 461 U.S. 945 (1983); Landmarks Holding Corp. v. Bermant, 664 F.2d 891, 896-97 (2d Cir. 1981); Israel v. Baxter Labs., Inc., 466 F.2d 272, 278 (D.C. Cir. 1972); Sacramento Coca-Cola Bottling Co. v. Chauffeurs, Teamsters & Helpers Local 150, 440 F.2d 1096, 1099 (9th Cir.), cert. denied, 404 U.S. 826 (1971); Woods Exploration & Producing Co. v. Aluminum Co. of Am., 438 F.2d 1286, 1296-98 (5th Cir. 1971), cert. denied, 404 U.S. 1047 (1972); Codex Corp. v. Racal-Milgo, Inc., 1984-1 Trade Cas. (CCH) ¶ 65,853, at 67,561 (D. Mass.); Ross v. Bremer, 1982-2 Trade Cas. (CCH) ¶ 64,746, at 71,618-19 (W.D. Wash.); Sage Int'l, Ltd. v. Cadillac Gage Co., 507 F. Supp. 939, 946-48 (E.D. Mich. 1981); Outboard Marine Corp. v. Pezetel, 474 F. Supp. 168, 177-78 (D. Del. 1979).

[18] See, e.g., Federal Maritime Comm'n v. Seatrain Lines, 411 U.S. 726, 733 (1973) ("exemptions from antitrust laws are strictly construed"); California v. Federal Power Comm'n, 369 U.S. 482, 485 (1962) ("[i]mmunity from the antitrust laws is not lightly implied"); see also Handler, Antitrust—1978, 78 Colum. L. Rev. 1363, 1374-83 (1978) (examination of the state action doctrine and its basis in principles of federal preemption).

[19] Indeed, in *Noerr*, Justice Black coupled petitions to the executive with those to the legislative: "We think it equally clear that the Sherman Act does not prohibit two or more persons from associating together in an attempt to persuade the legislature *or the executive* to take particular action with respect to a law that would produce a restraint or a monopoly." 365 U.S. at 136 (emphasis added).

[20] 381 U.S. 657 (1965).

held that an agreement among labor unions and mining companies to lobby the Secretary of Labor to raise the minimum wage payable by contractors selling coal to the Tennessee Valley Authority ("TVA"), and to convince the TVA to curtail spot purchases of coal, did not contravene the Sherman Act. Reiterating that "*Noerr* shields from the Sherman Act a concerted effort to influence public officials regardless of intent or purpose . . . even though intended to eliminate competition," the Court held that there was no antitrust liability despite the fact that the defendants' conduct was alleged to be "part of a broader scheme" to "drive small operators out of business," a scheme alleged to be "itself violative of the Sherman Act." [21]

In *California Motor Transport Co. v. Trucking Unlimited*,[22] the Court applied the *Noerr* doctrine to the institution of proceedings and suits before administrative agencies and courts, proclaiming that "the right to petition extends to all departments of the Government." [23]

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[21] Id. at 670. The Court also held that because "the action taken to set a minimum wage for government purchases of coal was the act of a public official [the Secretary of Labor] who is not claimed to be a co-conspirator," plaintiffs could not collect damages for any injury suffered by reason of his acts. Id. at 671; see infra note 221.

[22] 404 U.S. 508 (1972).

[23] Id. at 510. Almost sixty years earlier, the Third Circuit had reached a similar result for similar reasons. See Citizens' Wholesale Supply Co. v. Snyder, 201 F. 907 (3d Cir.), cert. denied, 229 U.S. 609 (1913). In holding that merchants who combined to enforce by litigation an ordinance barring the sale of certain items without a municipal license were not guilty of violating the Sherman Act, the court explained:

> We cannot suppose that the general words of the Anti-Trust Act were intended to include an agreement in good faith to test a municipal ordinance in the courts. Such a construction would impose an extraordinary burden upon the citizen, and could only be justified by unmistakable language. It would

Justice Douglas gave *Noerr* a constitutional dimension by emphasizing the first amendment's protection of the right to petition.[24] In later references to *Noerr*, the Court has oscillated between Justice Black's original analysis of the doctrine as purely antitrust in scope, and Justice Douglas' first amendment radiations in *California Motor Transport*.[25]

II. The Exception

At the trial in *Noerr*, the district court found the railroads' publicity campaign to be "malicious and fraudulent."[26] But the Supreme Court held that the fact that the "railroads' sole purpose . . . was to *destroy* the truckers as competitors" did not transform their conduct into a violation of the Sherman Act.[27] Justice Black could not have been more explicit: "The right of the people to inform their representatives in government of their de-

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require very plain speaking to make us believe that Congress had said, in effect, that citizens while acting in good faith to redress the violation of an ordinance prima facie valid, or even of fairly doubtful validity, must anticipate the decision of some ultimate tribunal, and must do so at the risk of being fined or imprisoned if their forecast should be wrong. The policy of the law encourages the peaceful settlement of disputes, and we see nothing in the conduct of the merchants' association that was deserving of blame. In good faith and on plausible grounds they believed the law to be with them, and they had a right to try out such a controversy in the courts, although the litigation might be expensive for their antagonist as well as for themselves.

Id. at 909-10.

[24] *California Motor Transport*, 404 U.S. at 510-11, 515.

[25] See Bill Johnson's Restaurants, Inc. v. NLRB, 103 S. Ct. 2161, 2169-71 (1983) (discussed infra notes 226-53 and accompanying text); NAACP v. Claiborne Hardware Co., 458 U.S. 886, 913-15 (1982); City of Lafayette v. Louisiana Power & Light Co., 435 U.S. 389, 399 (1978).

[26] *Noerr*, 365 U.S. at 133.

[27] Id. at 138-39 (emphasis added).

sires with respect to the passage or enforcement of laws cannot properly be made to depend upon their intent in doing so." [28] Indeed, it is precisely in those situations where people seek "an advantage to themselves and a disadvantage to their competitors" that petitioning of the government is "most" important:

> [I]t is quite probably people with just such a hope of personal advantage who provide much of the information upon which governments must act. A construction of the Sherman Act that would disqualify people from taking a public position on matters in which they are financially interested would thus deprive the government of a valuable source of information and, at the same time, deprive the people of their right to petition in the very instances in which that right may be of the most importance to them.[29]

Despite the fact that the railroads' publicity campaign "was intended to and did in fact injure the truckers," and that this injury was an "inevitable" and "incidental effect" of defendants' concerted action, there nevertheless was no ground for a cognizable claim under the Sherman Act.[30] The Court specifically rejected as "legally irrelevant" that the railroads' campaign was of a "vicious nature" and involved the "so-called third-party technique" of "unethical business conduct," [31] which includes

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[28] Id. at 139. The Court held "that, at least insofar as the railroads' campaign was directed toward obtaining governmental action, its legality was not at all affected by any anticompetitive purpose it may have had." Id. at 139-40. Compare United States v. Rock Royal Coop., Inc., 307 U.S. 533, 560 & n.18 (1939) (an association lobbying for adoption of a marketing order by the Secretary of Agriculture is not engaging in an illegal act simply because it is motivated by self-aggrandizement), and cases cited therein.

[29] *Noerr*, 365 U.S. at 139.

[30] Id. at 143-44.

[31] Id. at 140-42.

" 'deception of the public, manufacture of bogus sources of reference, [and] distortion of public sources of information.' " [32] Notwithstanding a finding that the defendants had "deliberately deceived the public and public officials," the Court held that "deception, reprehensible as it is, can be of no consequence so far as the Sherman Act is concerned." [33]

It is plain that the defendants' assorted improprieties did not constitute the kind of sham on which antitrust liability could be predicated. The test to Justice Black was whether the efforts to influence legislation, or otherwise to obtain governmental action, were genuine and not a mere cover or camouflage for a concerted program to harm competitors. Such would be the case, for example, where competitors, meeting ostensibly to petition the government, instead fix prices, divide markets, or otherwise engage in illegal conduct unrelated to their petitioning. It is plain that Justice Black was using the word "sham" in its dictionary sense: that which is "feigned, false, counterfeit; not genuine or true." [34] Limiting the "sham" concept in this manner not only provides the breathing room necessary to effectuate the true intent of *Noerr*, but it is consistent with the traditional antitrust axiom that the prohibitions of the Sher-

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[32] Id. (quoting the district court's opinion, 155 F. Supp. 768, 778 (E.D. Pa. 1957)). The "third-party technique" referred to the fact that "publicity matter circulated in the campaign was made to appear as spontaneously expressed views of independent persons and civic groups when, in fact, it was largely prepared" by the railroads' public relations firm. Id. at 130. Interestingly, the petitioners had pointed out in their brief that Thomas Jefferson had used the third-party technique in "scores" of pamphlets. Brief for Petitioners at 28 n.21, *Noerr*, 365 U.S. 127 (citing 9 The Works of Thomas Jefferson 128 (P. Ford ed. 1905)).

[33] *Noerr*, 365 U.S. at 145.

[34] 9 Oxford English Dictionary 616 (1970); see Webster's Third New International Dictionary 2086 (P. Gove ed. 1971).

man Act cannot be avoided "by reasoning to any disguise or subterfuge of form." [35]

The confusion concerning the scope of the *Noerr* doctrine and its sham exception commenced seven years after *Pennington* with the decision in *California Motor Transport.* The defendants were nineteen California truckers who allegedly conspired to deter plaintiffs and other competitors from seeking new or expanded trucking routes from the California Public Utilities Commission or the Interstate Commerce Commission.[36] Specifically, the defendants were alleged to have agreed to oppose before these agencies each and every application for such operating rights made by a competing trucker.[37] Protests and oppositions were to be entered in every proceeding, regardless of the merits, and adverse determinations were to be appealed to the highest possible forum.[38] Defendants purportedly financed these litigation efforts through a trust fund to which each contributed in proportion to its respective gross annual income.[39] The defendants allegedly communicated their program to the plaintiffs and other competitors in a deliberate effort to induce those truckers to abandon their existing applications and to refrain from further efforts

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[35] United States v. American Tobacco Co., 221 U.S. 106, 181 (1911); see Standard Sanitary Mfg. Co. v. United States, 226 U.S. 20, 40, 47-49 (1912) (use of patent licenses as "pretense" for price-fixing held illegal).

[36] Trucking Unlimited v. California Motor Transport Co., 1967 Trade Cas. (CCH) ¶ 72,298, at 84,739-40 (N.D. Cal.), rev'd, 432 F.2d 755 (9th Cir. 1970), aff'd, 404 U.S. 508 (1972).

[37] Trucking Unlimited v. California Motor Transport Co., 432 F.2d 755, 757 (9th Cir. 1970), aff'd, 404 U.S. 508 (1972); First Amended Complaint, ¶ 8, D-E.

[38] *California Motor Transport,* 1967 Trade Cas. (CCH) ¶ 72,298, at 84,739; First Amended Complaint, ¶ 8, D-E.

[39] *California Motor Transport,* 1967 Trade Cas. (CCH) ¶ 72,298, at 84,740; First Amended Complaint, ¶ 8, F.

to gain new operating rights under the threat of invariably prolonged and costly litigation.[40]

The defendants' alleged plan was not to influence government, but rather to deter competitors from making applications that would set the public decisionmaking apparatus in motion.[41] Such a scheme would be embraced by the sham exception since, in Justice Black's words, it was not a "genuine effort" to obtain favorable governmental action.[42]

Holding that the complaint properly stated a claim for relief, the Supreme Court concluded that the defendants' right of free access to adjudicatory tribunals ends precisely at the point where it impinges upon the plaintiffs' exercise of *their* right to petition. The Court drew a distinction between (1) the free use of "the channels and procedures of state and federal agencies and courts" in the promotion of one's own interests, and (2) the employment of "power, strategy, and resources . . . to harass and deter respondents in *their* use of administrative and judicial proceedings so as to deny them 'free and unlimited access' to those tribunals."[43] The latter practice, in Justice Douglas' view, allows defendants to "usurp th[e] decisionmaking process"[44] and

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[40] *California Motor Transport*, 432 F.2d at 762; First Amended Complaint, ¶ 8, G.

[41] In their brief to the Supreme Court, the plaintiffs construed their pleadings as alleging that the "[d]efendants' combination was not formed for the purpose of inducing governmental action but to obviate it." Brief for Respondents at 7, *California Motor Transport*, 404 U.S. 508.

[42] *Noerr*, 365 U.S. at 144.

[43] *California Motor Transport*, 404 U.S. at 511 (quoting plaintiff's complaint) (emphasis added).

[44] Id. at 512.

makes them the real " 'regulators of the grants of rights, transfers and registrations' " to plaintiffs.[45]

After noting that in *Noerr* the defendants had resorted to "deception and misrepresenation and unethical tactics," [46] Justice Douglas asserted by way of a lengthy and rather obscure dictum:

> Yet unethical conduct in the setting of the adjudicatory process often results in sanctions. Perjury of witnesses is one example. Use of a patent obtained by fraud to exclude a competitor from the market may involve a violation of the antitrust laws, as we held in *Walker Process Equipment v. Food Machinery & Chemical Corp.*, 382 U.S. 172, 175-177. Conspiracy with a licensing authority to eliminate a competitor may also result in an antitrust transgression. *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690, 707; *Harman v. Valley National Bank*, 339 F.2d 564 (CA9 1964). Similarly, bribery of a public purchasing agent may constitute a violation of § 2(c) of the Clayton Act, as amended by the Robinson-Patman Act. *Rangen, Inc. v. Sterling Nelson & Sons*, 351 F.2d 851 (CA9 1965).
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> There are many other forms of illegal and reprehensible practice which may corrupt the administrative or judicial processes and which may result in antitrust violations. Misrepresentations, condoned in the political arena, are not immunized, when used in the adjudicatory process. Opponents before agencies or courts often think poorly of the other's tactics, motions, or defenses and may readily call them baseless. One claim, which a court or agency may think baseless, may go unnoticed; but a pattern of baseless, repetitive claims may emerge which leads the fact-

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[45] Id. at 511 (quoting plaintiff's complaint); see New Motor Vehicle Bd. v. Orrin W. Fox Co., 439 U.S. 96, 109-10 (1978).

[46] *California Motor Transport*, 404 U.S. at 512.

> finder to conclude that the administrative and judicial processes have been abused. That may be a difficult line to discern and draw. But once it is drawn, the case is established that abuse of those processes produced an illegal result, *viz.*, effectively barring respondents from access to the agencies and courts. Insofar as the administrative or judicial processes are involved, actions of that kind cannot acquire immunity by seeking refuge under the umbrella of "political expression." [47]

The first half of the Douglas dictum goes no further than to indicate that certain forms of illegal behavior in an adjudicatory setting may result in penalties against the wrongdoer. A moment's reflection will indicate that this has nothing whatever to do with whether concerted activities to influence governmental action should be free of antitrust liability. Three of the examples relate to separate and distinct violations of section 1 [48] and 2 [49] of the Sherman Act and section 2(c) of the Robinson-Patman Act.[50] If the defendants in *Noerr*, while at-

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[47] Id. at 512-13.

[48] 15 U.S.C. § 1 (1982). Section 1 provides in relevant part: "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal."

[49] 15 U.S.C. § 2 (1982). Section 2 provides in relevant part: "Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony . . . ."

[50] 15 U.S.C. § 13(c) (1982). Section 2(c) of the Robinson-Patman Act provides:

> It shall be unlawful for any person engaged in commerce, in the course of such commerce, to pay or grant, or to receive or accept, anything of value as a commission, brokerage, or other compensation, or any allowance or discount in lieu thereof, except for services rendered in connection with the sale or purchase of goods, wares, or merchandise, either to the

tempting to influence a state legislature, had committed perjury at legislative hearings or were guilty of other discrete unlawful conduct, they would of course have been subject to independent sanctions for these unlawful acts; but such extrinsic wrongdoing would not have vitiated *Noerr's* holding that the concerted actions of the defendants were not within the ambit of the antitrust laws.

As for the second part of the Douglas dictum, no one will deny that illegal and reprehensible practices, such as misrepresentation, can corrupt the administrative or judicial process. But neither the judiciary nor the administrative bodies are powerless to protect themselves against such misbehavior.[51] What, then, is the legal

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other party to such transaction or to an agent, representative, or other intermediary therein where such intermediary is acting in fact for or in behalf, or is subject to the direct or indirect control, of any party to such transaction other than the person by whom such compensation is so granted or paid.

[51] See, e.g., 2 U.S.C. §§ 261-270 (1982) (Federal Regulation of Lobbying Act); 2 U.S.C. §§ 431-455 (1982) (Federal Election Campaign Act); 5 U.S.C. §§ 1501-1508, 7322-7325 (1982) (political activity by government employees); 15 U.S.C. §§ 78dd-1, 78dd-2 (1982) (bribery of foreign official or political party); 18 U.S.C. §§ 541-542 (1982) (false classifications or statements regarding imports); 18 U.S.C. § 600 (1982) (promise of employment or benefit in return for political activity); 18 U.S.C. § 1001 (1982) (false, fictitious, or fraudulent statements); 18 U.S.C. §§ 1501-1515 (1982) (obstruction of justice); 18 U.S.C. §§ 1621-1623 (1982) (perjury); 18 U.S.C. §§ 1951-1952, 1962 (1982) (racketeering); 18 U.S.C. § 2071 (1982) (concealment, removal, or mutilation of government records). The courts, of course, also have the authority to police the conduct of litigants and attorneys appearing before them. See, e.g., National Hockey League v. Metropolitan Hockey Club, Inc., 427 U.S. 639 (1976) (per curiam); Wyle v. R.J. Reynolds Indus., 709 F.2d 585, 589-91 (9th Cir. 1983); Nemeroff v. Abelson, 704 F.2d 652 (2d Cir. 1983); Morgan Consultants v. American Tel. & Tel. Co., 546 F. Supp. 844 (S.D.N.Y. 1982); 28 U.S.C. § 1927 (1982); Fed. R. Civ. P. 11, 16, 37; see also Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238, 244-47 (1944) (a court has

basis or rationale for attributing antitrust consequences to such wrongdoing? Obviously there must be more than a mere indulgence in these illegalities—the other ingredients of an antitrust transgression must be present. Was the Justice suggesting that misrepresentation, deception, unethical conduct, or perjury is irrelevant from an antitrust standpoint in a concerted appeal to the legislature or executive for action that will seriously harm, or even destroy competitors, but that when the appeal is to the judicial or administrative branches of government, the bar to antitrust liability that would otherwise exist is extinguished because of such improprieties? Does not such a distinction cut into the very heart of the *Noerr* principle that the right to petition any government agency must not be so circumscribed? The critical fact in *California Motor Transport* was that the defendants' competitors had been effectively barred from access to administrative agencies and the courts as a result of the defendants' assertion of knowingly baseless claims.[52] The plaintiffs, no less than the defendants, were entitled to free access to these agencies and the courts, and a scheme to deny them access by asserting knowingly frivolous claims in order to cripple their competition should result in liability. As alleged, defendants' appeals to the government were spurious, there was no reasonable basis in law or fact for the protests, the petitions were not genuine—in short, they were a sham.[53]

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an equitable power to vacate its own judgment upon a showing that fraud was perpetrated on it); Fed. R. Civ. P. 60 (relief from a judgment or an order).

[52] See Brief for Respondents at 34-36, 41, *California Motor Transport*, 404 U.S. 508; Brief for Respondents in Opposition to Petition for Writ of Certiorari at 25, *California Motor Transport*, 404 U.S. 508.

[53] Cf. Otter Tail Power Co. v. United States, 410 U.S. 366, 372, 379-80, on remand, 360 F. Supp. 451 (D. Minn. 1973), aff'd mem., 417 U.S. 901 (1974). In its initial decision, the Supreme Court held that Otter Tail had unlawfully refused to sell or distribute

It is no wonder that the lower courts have been mystified by the Douglas dictum and have been at sea as to the proper weight to be attributed to the fact that litigations were unsuccessful or were tainted by conduct that our society does not and should not condone. As Justice Douglas himself pointed out, "opponents before agencies or courts often think poorly of the other's tactics, motions, or defenses and may readily call them baseless." [54] In every litigation one party wins and the other loses. The winning party usually believes that his adversary's claims or defenses lacked merit. And it is not uncommon for judges to engage in *reductio ad absurdum* in rejecting an argument of counsel.

How, then, do we determine whether a claim asserted against a competitor is "baseless"? That a lawsuit is unsuccessful cannot alone be the test. Otherwise, any appeal to the courts by a competitor would be fraught with antitrust danger. To impose liability because a claim has been rejected would have a chilling effect on the

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power to municipal systems and had denied these systems access to other suppliers of power. Id. at 377-79. In addition, in light of the intervening *California Motor Transport* decision, the Court remanded the case to the district court for a determination of whether Otter Tail had also engaged in sham litigation. Id. at 379-80. On remand, without any discussion, the district court held that Otter Tail's "repetitive use of litigation . . . to preserve defendant's monopoly . . . comes within the sham exception." 360 F. Supp. at 451-52. At least two of the litigations supporting that finding were wholly unsuccessful. See Jurisdictional Statement of Appellee at 6-19, 417 U.S. 901. As a result, the Supreme Court's subsequent affirmance without opinion, of the district court's decision on remand, stands for nothing more than the unremarkable proposition that where a party prosecutes two unsuccessful lawsuits as part of a larger unlawful scheme of monopolization, those suits may be found to constitute sham litigation. See Illinois State Bd. of Elections v. Socialist Workers Party, 440 U.S. 173, 180-83 (1979) (summary affirmance has a precedential effect limited to the particular issues presented and decided in the lower court).

[54] *California Motor Transport*, 404 U.S. at 513.

exercise of the constitutional right to petition the courts for the redress of one's grievances. Similarly, if *Noerr* is to continue to have any meaning, the fact that the unsuccessful plaintiff was animated by an anticompetitive purpose cannot be decisive. More must be required than that the suit was lost and that there was an intent to injure competitors and competition. Suppose the petitioners engaged in the assorted improprieties of the *Noerr* defendants. It is one thing to hold *Noerr* inapplicable to judicial and administrative proceedings—something that the Court has not done—but it is quite another to rule, as the Court has done, that *Noerr* applies to court litigation and then to hold that there may be antitrust liability if the suit is lost, if the purpose of bringing suit is anticompetitive, or if there is any extrinsic misconduct. *California Motor Transport* is understandable if it means—and is construed to mean—that the antitrust laws apply only where the petitioning parties assert knowingly baseless claims to the agencies and courts. As Justice Black put it, a suit is not genuine where it lacks a reasonable basis in fact and in law. If, however, there is a reasonable basis for suit, then, as in *Noerr*, improper intent and extrinsic misconduct are irrelevant from an antitrust standpoint, though they may be punishable under other laws. That is an administrable doctrine. What in our view is inadministrable is the imposition of liability when a suit is unsuccessful despite the fact that at the time it was brought there was reason to believe that it was well-founded.[55] It would be just as unfaithful to *Noerr* to predicate liability solely upon the anticompetitive purpose animating the suit. Moreover, regardless of the suit's merit or success, the defendants' extrinsic immoral or illegal acts should not tip the scales towards illegality.

The sham exception was never intended as a replacement for the common law remedies against malicious

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[55] See, e.g., Fed. R. Civ. P. 11.

prosecution [56] or abuse of civil process.[57] Antitrust is too cumbersome an instrument to be used to monitor litigation between competitors. Nor is there any need for it to be so used. Conduct that does not rise to the level of a common law tort when a suit is between noncompetitors should not be held to be a violation of section 1 of the Sherman Act, where the litigation is instituted by a trade group against its members' competitors, or of section 2, where a single plaintiff possessing monopoly power sues a competitor. In both the competitor and noncompetitor situations, there should be liability for malicious prosecution or abuse of process where the conditions of those torts are met. There should also be sanctions against perjury, fraud, or other illegalities that taint the adjudicatory or administrative processes.[58] It is these sanctions—not antitrust sanctions—that should be invoked when appeal to the courts is abused. As Justice Black wrote sixteen years prior to *Noerr* in holding that certain union activity did not violate the Sherman Act:

> That Act does not purport to afford remedies for all torts committed by or against persons engaged in interstate commerce. "The maintenance in our federal system of a proper distribution between state and national governments of police authority and of remedies private and public for public wrongs is of far-reaching importance. An intention to disturb the balance is not lightly to be imputed to Congress." [59]

We now turn to the decisions of the lower courts. While many courts have correctly confined the sham exception strictly within the limits intended by Justice Black, others, unfortunately confused by the *California*

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[56] See infra note 165.

[57] See infra notes 178-82 and accompanying text.

[58] See supra note 51.

[59] Hunt v. Crumboch, 325 U.S. 821, 826 (1945) (quoting Apex Hosiery Co. v. Leader, 310 U.S. 469, 513 (1940)).

Motor Transport decision, have expanded the exception well beyond the holding, analysis, and express language of *Noerr*.

III. The Decisions of the Lower Courts

A. *A Statistical Overview*

In recent years, there has been an explosion of case law involving claims brought under the *Noerr* doctrine. The number of cases decided between 1961, the year of the *Noerr* decision, and 1980 is only slightly greater than the number decided during the last four years.[60] In total, almost 200 reported decisions have addressed, in one form or another, the application of the doctrine.[61]

In approximately fifty-five cases, the claims were dismissed or stricken as insufficient under Rule 12(b)(6) of the Federal Rules of Civil Procedure.[62] In about thirty-five instances, the courts upheld the claims. Of the more than 100 cases remaining, summary judgment was granted to defendants in approximately thirty-five cases and denied or reversed on appeal in about thirty. By contrast, the plaintiffs were granted summary judgment in only three instances. Of the cases that went to trial, defendants were awarded judgment or reversal of a judgment for the plaintiff in about twenty-five cases, while plaintiffs won judgment or reversal of judgment for the defendant in about fifteen cases. Finally, in the two decisions in which the Federal Trade Commission applied *Noerr*, cease and desist orders were issued in both.

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[60] See Appendices A, B, and C. The Appendices refer to cases reported through approximately mid-1984.

[61] Id.

[62] The statistics in the following two paragraphs are based upon the cases set forth in the appendices, some of which are referred to more than once because they involved more than one type of *Noerr* claim.

With respect to the substance of the claims in these cases, about twenty involved allegations of legislative lobbying, over eighty dealt with alleged sham litigations or threats thereof, and over 100 concerned the lobbying of administrative or executive agencies or officials.[63] Finally, there has been a smattering of cases that have addressed, without uniformity, issues such as political and religious boycotts,[64] consent decree prohibitions,[65] evi-

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[63] In this last category, we include such actions as zoning modifications, tariff submissions, and the granting of franchises by city councils—acts which are sufficiently distinct from the enactment of laws to be treated separately and which are, in reality, a hybrid of legislative, judicial, and executive conduct. See infra text accompanying note 84.

[64] *Noerr* has been cited in several actions under the antitrust laws seeking to enjoin political or religious boycotts. In some of the cases the claims were dismissed, while in others they were upheld. *First Circuit:* Council for Employment & Economic Energy Use v. WHDH Corp., 580 F.2d 9 (1st Cir. 1978) (complaint dismissed), cert. denied, 440 U.S. 945 (1979); Allied Int'l, Inc. v. International Longshoremen's Ass'n, 492 F. Supp. 334 (D. Mass. 1980) (complaint dismissed), rev'd on other grounds, 640 F.2d 1368 (1st Cir. 1981), aff'd, 456 U.S. 212 (1982); *Third Circuit:* Osborn v. Pennsylvania-Delaware Serv. Station Dealers Ass'n, 499 F. Supp. 553 (D. Del. 1980) (dismissal denied); Crown Cent. Petroleum Corp. v. Waldman, 486 F. Supp. 759 (M.D. Pa.) (summary judgment for defendants), rev'd on other grounds, 634 F.2d 127 (3d Cir. 1980); *Fifth Circuit:* Barr v. National Right to Life Comm., Inc., 1981-2 Trade Cas. (CCH) ¶ 64,315 (M.D. Fla.) (complaint dismissed); *Eighth Circuit:* Missouri v. National Org. for Women, Inc., 620 F.2d 1301 (8th Cir.) (posttrial judgment for defendant affirmed), cert. denied, 449 U.S. 842 (1980); *District of Columbia Circuit:* Costello Publishing Co. v. Rotelle, 670 F.2d 1035 (D.C. Cir. 1981) (summary judgment for defendants reversed). For a discussion of the application of antitrust laws to political and consumer boycotts, see Harper, The Consumer's Emerging Right to Boycott: *NAACP v. Claiborne Hardware* and Its Implications for American Labor Law, 93 Yale L.J. 409 (1984); Note, A Market Test for Noncommercial Boycotts, 93 Yale L.J. 523 (1984).

[65] United States v. Motor Vehicle Mfrs. Ass'n, 1979-1 Trade Cas. (CCH) ¶ 62,557 (C.D. Cal.) (extension of decree barring joint petitioning by competitors granted), rev'd on other grounds upon

dentiary [66] and discovery matters,[67] and, lastly, the ap-

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reconsideration, 1979-2 Trade Cas. (CCH) ¶ 62,759 (C.D. Cal.), rev'd and remanded on other grounds, 643 F.2d 644 (9th Cir. 1981), decision upon reconsideration aff'd, 1982-1983 Trade Cas. (CCH) ¶ 65,175 (C.D. Cal. 1982); United States v. Northern Cal. Pharmaceutical Ass'n, 235 F. Supp. 378 (N.D. Cal. 1964) (modification to allow prepetitioning consultation among competitors denied); cf. United States v. Morgan Drive Away, Inc., 1976-1 Trade Cas. (CCH) ¶ 60,949 (D.D.C.) (consent decree entered barring certain petitioning activities). In view of their voluntary nature, the significance of these decrees is limited.

[66] *First Circuit:* Bass v. Boston Five Cent. Sav. Bank, 478 F. Supp. 741, 746 (D. Mass. 1979) (petitioning held not evidence of conspiracy); *Second Circuit:* Arzt v. Blue Cross & Blue Shield, No. 78 Civ. 5723, slip op. at 12-13 (S.D.N.Y. Nov. 3, 1982) (implying that petitioning is admissible as evidence of intent); *Third Circuit:* Schenley Indus. v. New Jersey Wine & Spirit Wholesalers Ass'n, 272 F. Supp. 872, 883-85 (D.N.J. 1967) (admissibility of petitioning as evidence of intent not decided); United States v. Johns-Manville Corp., 1964 Trade Cas. (CCH) ¶ 71,092, at 79,316 (E.D. Pa.) (petitioning held inadmissible); *Fifth Circuit:* Household Goods Carriers' Bureau v. Terrell, 452 F.2d 152, 158 (5th Cir. 1971) (petitioning held admissible as evidence of intent); *Sixth Circuit:* City of Cleveland v. Cleveland Elec. Illuminating Co., 734 F.2d 1157, 1161-63 (6th Cir.) (petitioning held inadmissible as evidence of improper purpose), cert. denied, 105 S. Ct. 253 (1984); *Seventh Circuit:* Weit v. Continental Ill. Nat'l Bank & Trust Co., 641 F.2d 457, 466-67 (7th Cir. 1981) (petitioning held inadmissible as evidence of intent), cert. denied, 455 U.S. 988 (1982); *Ninth Circuit:* Hays v. United Fireworks Mfg., 420 F.2d 836, 839-41 (9th Cir. 1969) (petitioning held admissible); Wall Prods. Co. National Gypsum Co., 326 F. Supp. 295, 296 n.2 (N.D. Cal. 1971) (petitioning held admissible as evidence of intent); *Tenth Circuit:* Webb v. Utah Tour Brokers Ass'n, 568 F.2d 670, 672 (10th Cir. 1977) (petitioning held admissible as evidence of intent).

[67] *Second Circuit:* Associated Container Transp., Ltd. v. United States, 705 F.2d 53, 58-60 (2d Cir. 1983) (*Noerr* does not bar enforcement of civil investigation demand), *Fourth Circuit:* North Carolina Elec. Membership Corp. v. Carolina Power & Light Co., 666 F.2d 50, 52-53 (4th Cir. 1981) (*Noerr* does not bar discovery of documents respecting legislative lobbying); *Fifth Circuit:* International Tel. & Tel. Corp. v. United Tel. Co., 60 F.R.D. 177, 187 (M.D. Fla. 1973) (attorney-client privilege enforced in claim of

plicability of the doctrine to extraterritorial conduct[68]

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sham litigation); *Ninth Circuit:* Kockums Indus. v. Salem Equip., Inc., 561 F. Supp. 168, 173-74 (D. Or. 1983) (attorney work product discoverable in claim of sham patent action); *District of Columbia Circuit:* Australia/Eastern U.S.A. Shipping Conference v. United States, 537 F. Supp. 807, 810 (D.D.C. 1982) (*Noerr* does not bar discovery of documents if the Government's interest in obtaining the information is greater than the chilling effect of forced disclosure).

[68] *Doctrine Applicable:* Coastal States Mktg., Inc. v. Hunt, 694 F.2d 1358, 1364-67 (5th Cir. 1983); Platt Saco Lowell, Ltd. v. Spindelfabrik Suessen-Schurr, 1978-1 Trade Cas. (CCH) ¶ 61,898, at 73,775 (N.D. Ill. 1977), later proceeding, 208 U.S.P.Q. (BNA) 479 (N.D. Ill. 1980). *Doctrine Inapplicable:* Australia/Eastern U.S.A. Shipping Conference v. United States, 537 F. Supp. 807, 812-13 (D.D.C. 1982); Occidental Petroleum Corp. v. Buttes Gas & Oil Co., 331 F. Supp. 92, 107-08 (C.D. Cal. 1971), aff'd per curiam, 461 F.2d 1261 (9th Cir.), cert. denied, 409 U.S. 950 (1972). *Issue of Doctrine's Applicability Discussed But Not Decided:* Industrial Inv. Dev. Corp. v. Mitsui & Co., 671 F.2d 876, 882 n.6 (5th Cir. 1982), vacated and remanded on other grounds, 460 U.S. 1007, rev'd and remanded, 704 F.2d 785 (5th Cir.), cert. denied, 104 S. Ct. 393 (1983); Bulkferts, Inc. v. Salatin, Inc., 574 F. Supp. 6, 9 (S.D.N.Y. 1983); Dominicus Americana Bohio v. Gulf & W. Indus., 473 F. Supp. 680, 690 n.3 (S.D.N.Y. 1979). The Department of Justice has taken the position that *Noerr* is applicable to extra-territorial conduct. See Antitrust Guide for Int'l Operations, [Jan.-June] Antitrust & Trade Reg. Rep. (BNA), No. 799, at E-17 to -18 (Feb. 1, 1977).

Those who oppose the extra-territorial application of *Noerr* maintain that the decision's underpinnings—the first amendment and the access of the government to the opinions of the citizenry—are not relevant to overseas petitioning. The issue, however, is whether Congress *intended* the antitrust laws to apply to petitioning of a foreign government. For the same reasons that Justice Black explained in *Noerr* that domestic petitioning is not within the scope of the antitrust laws, see supra notes 9-14 and accompanying text, we believe that foreign petitioning is also not a subject for antitrust review. See 1 P. Areeda & D. Turner, Antitrust Law ¶ 239b1, at 273-75 (1978). For a discussion of the application of the antitrust laws to foreign petitioning, see Notes, The *Noerr-Pennington* Doctrine and the Petitioning of Foreign Governments, 84 Colum. L. Rev. 1343 (1984).

and to nonantitrust claims.[69]

Before addressing the recurring issues that arise in claims of sham conduct, it is important that the role of the sham exception in antitrust law be kept in proper perspective: it is an "exception," not an independent ground for an antitrust action. To succeed, a private plaintiff must still establish all of the requisite elements of an antitrust offense.[70]

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[69] In the following cases, the defendants contended that their alleged violations of nonantitrust laws were protected under the right to petition analysis of *Noerr: Second Circuit:* Weiss v. Willow Tree Civic Ass'n, 467 F. Supp. 803 (S.D.N.Y. 1979) (civil rights; *Noerr* applied); Staker v. Board of Regents of the State Univ. of N.Y., No. 76 Civ. 498, partially reprinted in 1977-2 Trade Cas. (CCH) ¶ 61,703 (E.D.N.Y.) (civil rights; *Noerr* applied); *Third Circuit:* United States v. Shober, 489 F. Supp. 393 (E.D. Pa. 1979) (mail fraud, bribery; *Noerr* inapplicable on facts); *Fifth Circuit:* J.P. Stevens & Co. v. Jackson, 85 Lab. Cas. (CCH) ¶ 10,980 (N.D. Ga. 1979) (civil rights; *Noerr* applied); *Seventh Circuit:* Havoco of Am., Ltd. v. Hollobow, 702 F.2d 643 (7th Cir. 1983) (tort; *Noerr* applied); Stern v. United States Gypsum, Inc., 547 F.2d 1329 (7th Cir.) (civil rights; *Noerr* applied), cert. denied, 434 U.S. 975 (1977); *Eighth Circuit:* Gorman Towers, Inc. v. Bogoslavsky, 626 F.2d 607 (8th Cir. 1980) (civil rights; *Noerr* applied).

[70] For example, under § 1 of the Sherman Act, 15 U.S.C. § 1 (1982), the plaintiff must demonstrate (1) a contract, combination, or conspiracy (2) constituting an unreasonable restraint of trade in a relevant market that (3) causes antitrust injury. See, e.g., Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc., 429 U.S. 477, 489 (1977); Standard Oil Co. v. United States, 221 U.S. 1, 59-60 (1911); Graphic Prods. Distribs., Inc. v. Itek Corp., 717 F.2d 1560, 1568-69 (11th Cir. 1983); Hornsby Oil Co. v. Champion Spark Plug Co., 714 F.2d 1384, 1391-94 (5th Cir. 1983); JBL Enter. v. Jhirmack Enter., 698 F.2d 1011, 1016-17 (9th Cir.), cert. denied, 104 S. Ct. 106 (1983); Dos Santos v. Columbus-Cuneo-Cabrini Medical Center, 684 F.2d 1346, 1352 (7th Cir. 1982).

Under § 2 of the Sherman Act, 15 U.S.C. § 2 (1982), the plaintiff must prove, in addition to antitrust injury, (1) the commission of predatory conduct with (2) the specific intent to monopolize and

B. *A Comparative Analysis*

1. Petitioning the Legislature and Executive

Since the *Noerr* doctrine was formulated, approximately twenty cases have concerned claims based upon petitioning the legislature.[71] In none of them was the challenged conduct found to be a sham. Accordingly, the defendants were sheltered by the *Noerr* doctrine. In all but one of the decisions where the relevant facts were disclosed, petitioners obtained the legislative relief they were seeking.[72] Although the courts' analyses were largely

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(3) either (a) a dangerous probability of succeeding in establishing a monopoly in a relevant market or (b) possession of monopoly power in a relevant market and willful acquisition or maintenance of that power. See, e.g., United States v. Grinnell Corp., 384 U.S. 563, 570-71 (1966); Swift & Co. v. United States, 196 U.S. 375, 396 (1905); Nifty Foods Corp. v. Great Atl. & Pac. Tea Co., 614 F.2d 832, 840-41 (2d Cir. 1980); Berkey Photo, Inc. v. Eastman Kodak Co., 603 F.2d 263, 297-98 (2d Cir. 1979), cert. denied, 444 U.S. 1093 (1980); see also Handler & Steuer, Attempts to Monopolize and No-Fault Monopolization, 129 U. Pa. L. Rev. 125 (1980).

[71] See Appendix A.

[72] Compare First Am. Title Co. v. South Dakota Land Title Ass'n, 714 F.2d 1439 (8th Cir. 1983) (lobbying efforts led to establishment of requirement that title abstracters make an actual check of all records affecting property), cert. denied, 104 S. Ct. 709 (1984), and Weit v. Continental Ill. Nat'l Bank & Trust Co., 641 F.2d 457 (7th Cir. 1981) (lobbying efforts led to increase in limit on monthly credit card interest rate), cert. denied, 455 U.S. 988 (1982), and Subscription Television, Inc. v. Southern Cal. Theatre Owners Ass'n, 576 F.2d 230 (9th Cir. 1978) (political action led to anti-pay television measure enacted through voter initiative), and Rodgers v. FTC, 492 F.2d 228 (9th Cir.) (political action barred passage of anti-litter measure), cert. denied, 419 U.S. 834 (1974), and First Nat'l Bank v. Marquette Nat'l Bank, 482 F. Supp. 514 (D. Minn. 1979) (lobbying efforts led to establishment of interest ceiling on charges by bank credit card issuers), aff'd, 636 F.2d 195 (8th Cir. 1980), cert. denied, 450 U.S. 1042 (1981), and Schenley Indus. v. New Jersey Wine & Spirit Wholesalers Ass'n, 272 F. Supp.

conclusory, in those cases where the issues were touched upon, the courts adhered to Justice Black's insistence that genuine petitioning cannot be the basis of an antitrust infraction.[73] As in *Noerr*, the defense has not been vitiated by misrepresentation or an overriding anticompetitive purpose.[74]

The decision in *Schenley Industries, Inc. v. New Jersey Wine & Spirit Wholesalers Association*,[75] is an excellent example of the proper way in which *Noerr* and its sham exceptions should be administered in the legislative con-

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872, 875 (D.N.J. 1967) (lobbying efforts led to passage of statutes barring direct distribution of alcoholic beverages by distiller-controlled companies to retailers), with Schwegmann Bros. Giant Super Mkts. v. Almaden Vineyards, Inc., 1980-1 Trade Cas. (CCH) ¶ 63,156 (E.D. La.) (lobbying effort failed to cause passage of regulations and statute that would tax in-state wholesalers on liquor sold or shipped out of state).

[73] First Am. Title Co. v. South Dakota Land Title Ass'n, 714 F.2d 1439 (8th Cir. 1983), cert. denied, 104 S. Ct. 709 (1984); Rodgers v. FTC, 492 F.2d 228 (9th Cir.), cert. denied, 419 U.S. 834 (1974); Schwegmann Bros. Giant Super Mkts. v. Almaden Vineyards, Inc., 1980-1 Trade Cas. (CCH) ¶ 63,156 (E.D. La.); Sims v. Tinney, 482 F. Supp. 794 (D.S.C. 1977), aff'd mem. 615 F.2d 1358 (4th Cir. 1979); cf. First Nat'l Bank v. Marquette Nat'l Bank, 482 F. Supp. 514, 519 (D. Minn. 1979) ("[c]learly, First National's injury was . . . not [caused] by any 'abuse' of the lobbying process by Marquette"), aff'd, 636 F.2d 195 (8th Cir. 1980), cert. denied, 450 U.S. 1042 (1981).

[74] See supra note 73. There have been very few cases involving true executive action, i.e., where a government official is requested to act within his discretion under a broad grant of authority such as, for example, where a law enforcement official is requested to prosecute a competitor for a violation of law. See Semke v. Enid Auto. Dealers Ass'n, 456 F.2d 1361 (10th Cir. 1972); Harman v. Valley Nat'l Bank, 339 F.2d 564 (9th Cir. 1964). There is no indication in this meager body of case law that *Pennington* would not be followed. There is every reason to believe that *Noerr* and *Pennington* retain their full precedential force where the legislative or the executive is petitioned.

[75] 272 F. Supp. 872 (D.N.J. 1967).

text. There, the court struck from the complaint allegations that the defendant liquor wholesalers had successfully lobbied the New Jersey Legislature to enact a law prohibiting distillers, such as the plaintiff, from selling liquor directly to retailers.[76] Plaintiff's contention that conduct "flagrantly violative of state law" is within the scope of the antitrust laws was flatly rejected.[77] As Judge Coolahan explained, the focus of *Noerr* is not the abusive character or illegality of defendants' conduct, but rather Congress' intent:

> Since political activity to influence public officials is beyond the purview of the Act, it does not matter that independently illegal acts can be shown; separate civil or criminal actions might lie against the perpetrators, but the lobbying is not thereby transmuted into a violation of the Act. A private antitrust complaint is not the appropriate vehicle for state criminal laws whose enforcement is entrusted to state or local prosecutors.[78]

The court went on to hold, again correctly, that the alleged conduct was not sham because, regardless of their

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[76] The court declined to dismiss the plaintiff's price-fixing claim based on the defendants' alleged coercion of wholesalers. Id. at 878-83.

[77] Id. at 884. With respect to the plaintiff's claims of improper conduct, the Court stated:

> [T]he Complaint alleges no specific criminal acts in connection with the lobbying, but rather fires a broadside of general charges that the lobbying was improper. False and defamatory statements are attributed to the lobbyists, but Schenley's other vague allegations of corruption, made during argument on the motion, present no more than the apparent desire to commence a fishing expedition.

Id. at 885 n.22.

[78] Id. at 885 (footnote omitted); see also Missouri v. National Org. for Women, Inc., 620 F.2d 1301, 1309-16 (8th Cir.) (lobbying efforts in support of "social piece of legislation" beyond scope of Sherman Act), cert. denied, 449 U.S. 842 (1980).

motive and the alleged impropriety of their conduct, the defendants in fact "were very much interested in influencing the Director and obtaining passage of the bill." [79] Nor could the lobbying allegations remain in the complaint as "evidence" of the "design and intent of the [alleged] price-fixing conspiracy" and of "a subsidiary conspiracy in the overall scheme to dominate the wholesale industry," [80] since, as the court explained, *Pennington* expressly foreclosed that argument.[81]

In sum, the court's decision in *Schenley* illustrates the proper analytical framework for deciding a *Noerr* case: (1) concentrate on the issues at the pleadings stage; (2) recognize that Congressional intent is the operative standard; and (3) refuse to be sidetracked by the purported illegality or immorality of the challenged conduct.

Although other courts have also correctly analyzed the applicability of *Noerr* to legislative petitioning, by waiting for the summary judgment or trial stage to rule, they have, perhaps unwittingly, contributed to an attrition of *Noerr's* safeguards. By compelling a defendant to endure protracted discovery or trial, these courts have imposed the attendant litigation costs, which inevitably have a chilling effect on the exercise of the *Noerr* privilege. For example, in one case the defendants were granted summary judgment only after "more than four

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[79] *Schenley*, 272 F. Supp. at 884-85 n.20. In addition to ruling that *Noerr* protected defendants' petitioning of the legislature, the court ruled that defendants' petitioning of the Director of the New Jersey Alcoholic Beverage Control Division was similarly sheltered. Id. at 883-87.

[80] Id. at 884-85.

[81] See supra text accompanying note 21. The court left to another day a ruling on the admissibility of the defendants' lobbying activities as evidence of their allegedly improper intent. *Schenley*, 272 F. Supp. at 886-87; see supra note 66.

and one-half years of litigation and discovery,"[82] while in another it was only after "extensive pretrial discovery proceedings covering a period of more than two years" that they won summary judgment.[83]

2. Petitioning Administrative Officials

The largest number of suits raising *Noerr* issues has concerned the petitioning of administrative bodies. Because of the breadth and variety of the responsibilities of such agencies, their actions can take on many of the attributes of the legislative or judicial processes. Therefore, for purposes of analysis, it is helpful to separate the cases into three categories: quasi-legislative, quasi-judicial and quasi-executive petitioning.

Quasi-legislative petitioning includes cases where the agency or official is requested to institute a new policy or regulation in much the same way that a legislature enacts a statute. A petition to a City Council to enact the overall zoning of the city would be an example of quasi-legislative petitioning. Quasi-judicial petitioning comprises cases where the agency or official is requested to apply an existing policy, regulation, or law to a particular set of circumstances. Thus, whether a proposed building design satisfies existing zoning standards would

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[82] Schwegmann Bros. Giant Super Mkts. v. Almaden Vineyards, Inc., 1980-1 Trade Cas. (CCH) ¶ 63,156, at 77,753 (E.D. La.).

[83] Gambrel v. Kentucky Bd. of Dentistry, 689 F.2d 612, 621 (6th Cir. 1982), cert. denied, 459 U.S. 1208 (1983). In an earlier case, which was reversed on appeal after the *Noerr* decision, the trial alone was 120 days in length. Association of W. Rys. v. Riss & Co., 299 F.2d 133, 134 (D.C. Cir.), cert. denied, 370 U.S. 916 (1962).

Goggi Corp. v. Outboard Marine Corp., 422 F. Supp. 361 (S.D.N.Y. 1976), presents another example of how courts can discourage *Noerr*-protected activities. There, in denying—without analysis—the defendants' motion for dismissal, the court held that defendants' meetings with members of the New York State Assembly could form the basis for the court's assertion of in personam jurisdiction over the defendants. Id. at 363-65.

be an example of quasi-judicial petitioning. Although these labels are helpful for purposes of analysis, it must be remembered that the categorization of many cases may be somewhat arbitrary, particularly since many cases involve numerous instances of varying types of petitioning.[84] Nonetheless, we believe that the same rules should apply to quasi-legislative, quasi-executive, and quasi-judicial administrative action as obtain, respectively, in the petitioning of legislative bodies, the executive, and the courts. Hence, having already analyzed legislative and executive petitioning, we now review the bulk of the cases involving quasi-judicial administrative determinations together with the many decisions dealing with petitioning of the courts.

Of the more than 100 cases involving administrative petitioning,[85] most concerned quasi-judicial petitioning. In some of the cases the petitions were successful and in others they were not. The greatest number involved zoning and environmental regulations[86] and the setting of prices, rates, or tariffs by government agencies.[87] An-

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[84] The few cases that have involved true quasi-legislative petitioning have adhered to the rulings in *Noerr* and *Pennington* and have not attempted to impose liability for nonbaseless petitioning. Because the most pressing issues under *Noerr* are largely common to both quasi-judicial and judicial petitioning, we address them in the latter part of this Article.

[85] See Appendix B.

[86] E.g., Miracle Mile Assocs. v. City of Rochester, 617 F.2d 18 (2d Cir. 1980); Bob Layne Contractor, Inc. v. Bartel, 504 F.2d 1293 (7th Cir. 1974); Mason City Center Assocs. v. City of Mason City, 468 F. Supp. 737 (N.D. Iowa 1979), aff'd in part, rev'd in part, 671 F.2d 1146 (8th Cir. 1982); Brown v. Carr, 1980-1 Trade Cas. (CCH) ¶ 63,033 (D.D.C. 1979); Miller & Son Paving v. Wrightstown Township Civ. Ass'n, 443 F. Supp. 1268 (E.D. Pa. 1978), aff'd mem., 595 F.2d 1213 (3d Cir.), cert. denied, 444 U.S. 843 (1979); Foret v. Point Landing, Inc., 1976-2 Trade Cas. (CCH) ¶ 61,106 (E.D. La.).

[87] E.g., Clipper Exxpress v. Rocky Mt. Motor Tariff Bureau, Inc., 674 F.2d 1252 (9th Cir. 1982), cert. denied, 459 U.S. 1227 (1983);

other frequent source of litigation has been the granting of franchises or licenses, such as concessions at municipal airports[88] or at a municipal golf course,[89] hospital certificates of need,[90] franchises for cable television,[91] taxi

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City of Kirkwood v. Union Elec. Co., 671 F.2d 1173 (8th Cir. 1982), cert. denied, 459 U.S. 1170 (1983); Transkentucky Transp. R.R. v. Louisville & N.R.R., 581 F. Supp. 759 (E.D. Ky. 1983); Horsemen's Benevolent & Protective Ass'n, Inc. v. Pennsylvania Horse Racing Comm'n, 530 F. Supp. 1098 (E.D. Pa.), aff'd mem., 688 F.2d 821 (3d Cir. 1982); City of Gainesville v. Florida Power & Light Co., 488 F. Supp. 1258 (S.D. Fla. 1980); City of Mishawaka v. American Elec. Power Co., 465 F. Supp. 1320 (N.D. Ind. 1979), aff'd in part, vacated in part, 616 F.2d 976 (7th Cir. 1980), cert. denied, 449 U.S. 1096 (1981).

[88] E.g., Capitol Int'l Airways v. Butler Int'l, Inc., No. 81-1004 (6th Cir. June 1, 1982) (not for publication); *In re* Airport Car Rental Antitrust Litig., 693 F.2d 84 (9th Cir. 1982), cert. denied, 103 S. Ct. 3114 (1983); Hill Aircraft & Leasing Corp. v. Fulton County, 561 F. Supp. 667 (N.D. Ga. 1982), aff'd mem., 729 F.2d 1467 (11th Cir. 1984); Pinehurst Airlines v. Resort Air Servs., 476 F. Supp. 543 (M.D.N.C. 1979).

[89] Kurek v. Pleasure Driveway & Park Dist., 557 F.2d 580 (7th Cir. 1977), vacated and remanded, 435 U.S. 992, opinion reinstated per curiam, 583 F.2d 378 (7th Cir. 1978), cert. denied, 439 U.S. 1090 (1979).

[90] Hospital Bldg. Co. v. Trustees of the Rex Hosp., 691 F.2d 678 (4th Cir. 1982), cert. denied, 104 S. Ct. 259 (1983); Phoenix Baptist Hosp. & Medical Center v. Samaritan Health Servs., No. 81-5848, summarily reported at 688 F.2d 847 (9th Cir. August 25, 1982), cert. denied, 103 S. Ct. 3096 (1983); Huron Valley Hosp., Inc. v. City of Pontiac, 466 F. Supp. 1301 (E.D. Mich. 1979), vacated, 666 F.2d 1029 (6th Cir. 1981).

[91] Hopkinsville Cable TV, Inc. v. Pennyroyal Cablevision, Inc., 562 F. Supp. 543 (W.D. Ky. 1982); Charlotte Telecasters, Inc. v. Jefferson-Pilot Corp., 1977-1 Trade Cas. (CCH) ¶ 61,304 (W.D.N.C. 1974), aff'd on other grounds, 546 F.2d 570 (4th Cir. 1976); Metro Cable Co. v. CATV of Rockford, Inc., 375 F. Supp. 350 (N.D. Ill. 1974), aff'd, 516 F.2d 220 (7th Cir. 1975).

licenses,[92] garbage disposal,[93] bus stop shelters[94] or ambulance services,[95] liquor[96] or drug licenses,[97] and permission to open a bank branch[98] or educational facility.[99] In addition, a myriad of other cases involved such matters as the promulgation of product or building code specifications,[100] the reopening of an airport,[101] product disparagement in the context of government procure-

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[92] Campbell v. City of Chicago, 577 F. Supp. 1166 (N.D. Ill. 1983).

[93] Sun Valley Disposal Co. v. Silver State Disposal Co., 420 F.2d 341 (9th Cir. 1969).

[94] BusTop Shelters, Inc. v. Convenience & Safety Corp., 521 F. Supp. 989 (S.D.N.Y. 1981).

[95] Gold Cross Ambulance v. City of Kansas City, 538 F. Supp. 956 (W.D. Mo. 1982), aff'd on other grounds, 705 F.2d 1005 (8th Cir. 1983).

[96] B.A.M. Liquors, Inc. v. Satenstein, 1976-2 Trade Cas. (CCH) ¶ 60,997 (S.D.N.Y.).

[97] Israel v. Baxter Labs., Inc., 466 F.2d 272 (D.C. Cir. 1972).

[98] United States v. Central State Bank, 564 F. Supp. 1478 (W.D. Mich. 1983).

[99] United States Dental Inst. v. American Ass'n of Orthodontists, 396 F. Supp. 565 (N.D. Ill. 1975).

[100] E.g., George R. Whitten, Jr., Inc. v. Paddock Pool Builders, Inc,. 424 F.2d 25 (1st Cir.), cert. denied, 400 U.S. 850 (1970); Wheeling-Pittsburgh Steel Corp. v. Allied Tube & Conduit Corp., 573 F. Supp. 833 (N.D. Ill. 1983); Horsemen's Benevolent & Protective Ass'n, Inc. v. Pennsylvania Horse Racing Comm'n, 530 F. Supp. 1098 (E.D. Pa.), aff'd mem., 688 F.2d 821 (3d Cir. 1982); Eliason Corp. v. National Sanitation Found., 485 F. Supp. 1062 (E.D. Mich. 1977), aff'd on other grounds, 614 F.2d 126 (6th Cir.), cert. denied, 449 U.S. 826 (1980); Rush-Hampton Indus. v. Home Ventilating Inst., 419 F. Supp. 19 (M.D. Fla. 1976).

[101] Mark Aero, Inc. v. Trans World Airlines, 580 F.2d 288 (8th Cir. 1978).

ment,[102] and the propriety of filling drug prescriptions by mail order.[103]

Some courts have differentiated between so-called "commercial," or "proprietary," and "political" acts of government, limiting *Noerr* to the latter category. One of the principal decisions drawing this distinction is *George R. Whitten, Jr., Inc. v. Paddock Pool Builders, Inc.*[104] There, defendants and their dealers allegedly conspired to submit specifications for swimming pool equipment to public authorities with the intent of excluding competitors from participating on an equal basis in the bidding process. The specifications were so drawn that only the defendant manufacturer's products could comply.[105] By pressuring the architects—on whom the authorities placed "heavy reliance"—to adopt these exclusionary specifications, the defendants were able to achieve a "high degree of success" in obtaining the business of public purchases.[106]

In overturning summary judgment for the defendants, the First Circuit held that these acts involved "purely commercial dealings" and that, as a result, *Noerr* provided no defense—irrespective of whether defendants' conduct was to be regarded as sham.[107] From the premise

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[102] General Aircraft Corp. v. Air Am., Inc., 482 F. Supp. 3 (D.D.C. 1979).

[103] Federal Prescription Serv. v. American Pharmaceutical Ass'n, 663 F.2d 253 (D.C. Cir. 1981), cert. denied, 455 U.S. 928 (1982).

[104] 424 F.2d 25 (1st Cir.), cert. denied, 400 U.S. 850 (1970).

[105] Id. at 27. The defendant manufacturer's alleged coconspirators were its "various dealers and representatives." Id. It was also alleged that the defendants made misrepresentations and threatened litigation against the plaintiff and its customers, as well as against public authorities that might contract with the plaintiff. Id. at 27-28.

[106] Id. at 28.

[107] Id. at 33.

that the "key" to *Noerr* was the Supreme Court's "heavy emphasis on the political nature of the railroad's activities and its repeated reference to the 'passage or enforcement of laws,' " [108] Judge Coffin reasoned:

> The entire thrust of *Noerr* is aimed at insuring uninhibited access to government policy makers. A pluralistic society moves by many motives. The hope, supported by history, is that permitting every interest to be heard will produce a tolerable amalgam responsive to the needs of a given time. But the efforts of an industry leader to impose his product specifications by guile, falsity, and threats on a harried architect by a local board hardly rise to the dignity of an effort to influence the passage or enforcement of laws. By "enforcement of laws" we understand some significant policy determination in the application of a statute, not a technical decision about the best kind of weld to use in a swimming pool gutter.[109]

The court therefore concluded that the "same standard" for antitrust liability—unencumbered by *Noerr*—should apply to "dealings with public customers" as applies to dealings with private ones.[110]

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[108] Id. at 32 (quoting *Noerr*, 365 U.S. at 139).

[109] Id. In support of this holding, the court relied on Continental Ore Co. v. Union Carbide & Carbon Corp., 370 U.S. 690 (1962). See *Whitten*, 424 F.2d at 33. Nothing in the *Continental Ore* opinion, however, supports the First Circuit's conclusion that there is a "commercial" exception to *Noerr*. See infra note 118.

[110] *Whitten*, 424 F.2d at 34. Other courts have agreed with the First Circuit's analysis in *Whitten* and have held that *Noerr* does not apply to so-called commercial, proprietary, or nonpolitical petitioning. See, e.g., Litton Sys. v. American Tel. & Tel. Co., 700 F.2d 785, 807-08 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984); Kurek v. Pleasure Driveway & Park Dist., 557 F.2d 580, 592 n.10 (7th Cir. 1977), vacated and remanded, 435 U.S. 992, opinion reinstated per curiam, 583 F.2d 378 (7th Cir. 1978), cert. denied, 439 U.S. 1090 (1979); Israel v. Baxter Labs., Inc., 466 F.2d 272,

Wholly apart from the commercial-political dichotomy drawn by the court, *Whitten* can be explained on the ground that it involved a conspiracy directed against government purchasing authorities that injured not only the defendants, but the government purchasers as well. Such conduct is akin to a seller forcing an exclusive dealing arrangement upon a buyer, which, depending upon the facts, can result in a substantial lessening of competition to the harm of both the excluded competitors and the government purchaser.[111] Similarly, *Noerr* would provide no defense where the government official conspired with the seller.[112]

276-80 (D.C. Cir. 1972); Woods Exploration & Producing Co. v. Aluminum Co. of Am., 438 F.2d 1286, 1296-98 (5th Cir. 1971), cert. denied, 404 U.S. 1047 (1972); *In re* Massachusetts Furniture & Piano Movers Ass'n, Inc., 3 Trade Reg. Rep. (CCH) ¶ 22,081, at 22,759 (F.T.C. Sept. 28, 1983), appeal docketed, No. 83-1892 (1st Cir. Dec. 6, 1983); General Aircraft Corp. v. Air Am., 482 F. Supp. 3, 7-8 (D.D.C. 1979); Metro Cable Co. v. CATV of Rockford, Inc., 375 F. Supp. 350, 357 (N.D. Ill. 1974), aff'd, 516 F.2d 220 (7th Cir. 1975); see also 1 P. Areeda & D. Turner, supra note 68, ¶ 206, at 52 ("[a] private person dealing with government as buyer, seller, lessor, lessee, or franchisee has no greater antitrust privilege or immunity than in similar dealings with non-governmental parties"). Cf. Triple M Roofing Corp. v. Tremco, Inc., 1985-1 Trade Cas. (CCH) ¶ 66,382, at 64,873 (2d Cir.) ("The inclusion of proprietary specifications did not . . . compromise free and unfettered competition").

[111] 15 U.S.C. § 14 (1982); see, e.g., Betaseed, Inc. v. U & I, Inc., 681 F.2d 1203, 1212-16 (9th Cir. 1982); Spartan Grain & Mill Co. v. Ayers, 581 F.2d 419, 425 (5th Cir. 1978), cert. denied, 444 U.S. 831 (1979).

[112] See California Motor Transport Co. v. Trucking Unlimited, 404 U.S. 508, 513 (1972); UMW v. Pennington, 381 U.S. 657, 671 (1965); Parker v. Brown, 317 U.S. 341, 351-52 (1943); see also, e.g., Federal Prescription Serv. v. American Pharmaceutical Ass'n, 663 F.2d 253, 264 (D.C. Cir. 1981) ("*Noerr's* protection does not apply where the government agency is a co-conspirator of those trying to influence it"), cert. denied, 455 U.S. 928 (1982); Kurek v. Pleasure Driveway & Park Dist., 557 F.2d 580, 593 (7th Cir. 1977) (*Noerr* provides no defense for government officials who

Contrary to *Whitten*, the Ninth Circuit has held that *Noerr* applies to all petitioning of the government, whether it is "political" or "commercial" in nature.[113] In *In re Airport Car Rental Litigation*,[114] the court held that an alleged conspiracy among automobile rental companies to pressure airport authorities to exclude their competitors from the airport car rental market was within the scope of *Noerr*.[115]

Unlike the court of appeals' cursory affirmance, the district court analyzed the issue at length, correctly viewing the reasoning of Justice Black in *Noerr* as dispositive. The premise of Judge Schwarzer's opinion was that since the airport authorities had to take affirmative action to exclude the plaintiff from the airport before competition could be affected, any agreement among the defendants, no matter how exclusionary its purpose, could not, absent such government action, "restrain trade" within the mean-

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conspire to violate the antitrust laws), vacated and remanded on other grounds, 435 U.S. 992, opinion reinstated per curiam, 583 F.2d 878 (7th Cir. 1978), cert. denied, 439 U.S. 1090 (1979); Duke & Co. v. Foerster, 521 F.2d 1277, 1282 (3d Cir. 1975) (same); Richard Hoffman Corp. v. Integrated Bldg. Sys., 581 F. Supp. 367, 374 (N.D. Ill. 1984) (same); Affiliated Capital Corp. v. City of Houston, 519 F. Supp. 991, 1016-23 (S.D. Tex. 1981) (antitrust claim against defendants sustained despite their governmental status), aff'd in pertinent part and rev'd on other grounds en banc, 700 F.2d 226, 237 (5th Cir.), vacated, 714 F.2d 25 (5th Cir. 1983), rev'd en banc, 735 F.2d 1555 (5th Cir. 1984), petition for cert. filed, 53 U.S.L.W. 3509 (U.S. Dec. 14, 1984) (No. 84-951).

[113] *In re* Airport Car Rental Antitrust Litig., 693 F.2d 84, 87-88 (9th Cir. 1982), aff'g 521 F. Supp. 568, 577-81 (N.D. Cal. 1981), cert. denied, 103 S. Ct. 3114 (1983); accord, e.g., Capitol Int'l Airways v. Butler Int'l, Inc., No. 81-1004 (6th Cir. June 1, 1982) (not for publication).

[114] 693 F.2d 84 (9th Cir. 1982).

[115] Id. at 88.

ing of the Sherman Act.[116] In addition, the court noted that the Supreme Court had failed in its later cases to draw any distinction between "political" and "commercial" petitioning. Thus, in *Pennington* the Supreme Court

> implicitly rejected any distinction between political or policy-making actions and commercial activities, applying the stated principle both to the defendants' joint approach to the Secretary of Labor to obtain establishment of a minimum wage for employees of contractors selling to the TVA and to the approach to the TVA to curtail its spot market purchases from exempt contractors, all intended to drive small coal operators out of business.[117]

Similarly, as Judge Schwarzer also pointed out, in *California Motor Transport*, the Court specifically held that

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[116] 521 F. Supp. at 574. The court explained:

> Such an agreement imposes no restraint of trade. It may influence the airport authorities to restrict competition in the on-airport car rental market, but that restriction results from the decisions of the airport authorities as to the number of companies they allow to enter that market and the terms required of those companies, decisions which the airport authorities are necessarily authorized to make in the course of performing their function of managing the airports. Any restraint therefore flows, not from the joint action of defendants, but from the airport authorities' exercise of their statutory authority and duty to manage the facilities in their charge.

Id. (footnotes omitted). As the court also recognized, *Noerr* held that joint petitioning "does not fall within the scope of the Sherman Act in the first place, not that it is removed from the act by an exemption" or by operation of the first amendment. Id. at 575-76; see supra notes 9-10, 14 and accompanying text. Accordingly, the court explained: "If the Sherman Act does not reach agreements to influence the actions of others because they impose no restraint, it would be incorrect to treat such agreements as falling within an 'exemption' or 'immunity' provision subject to the presumption against repeal by implication." Id. at 575 n.11; see supra note 16 and accompanying text.

[117] 521 F. Supp. at 580.

"groups with common interests" may petition the government, not just with respect to political matters, but also "respecting resolution of their business and economic interests *vis-a-vis* their competitors." [118] Finally, the court correctly recognized that any commercial exception to *Noerr* had been "implicitly rejected in the [Supreme] Court's recent commercial speech decisions" since if "the free flow of commercial information to private decisionmakers serves an important public interest, the flow of that information to public decisionmakers presents the *a fortiori* case." [119]

Although the Ninth Circuit's decision was based on a rejection of any distinction between commercial, or proprietary, and political petitioning, it really stands for the proposition that granting a franchise is a government act protected by *Noerr*. Since the grant of a franchise, license, or the like necessarily affects competition, if *Noerr* were held not to apply in these instances, then its protection would be greatly diminished in view of the substantial number of franchise and license cases that

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[118] Id. at 578 n.12 (quoting *California Motor Transport*, 404 U.S. at 510-11). The court distinguished the Supreme Court's decision in Continental Ore Co. v. Union Carbide & Carbon Corp., 370 U.S. 690 (1962), on the grounds that there the Court did "not address the permissible scope of joint activities to influence public officials," but rather merely held that "*Noerr* afforded no defense" to defendants' *private* commercial conduct engaged in with a *private* company "appointed by the Canadian government as its exclusive agent to purchase and allocate" vanadium. Id. at 579 n.16 (citing *Continental Ore*, 370 U.S. at 707-08).

[119] *In re Airport*, 521 F. Supp. at 580-81 (footnote omitted) (citing Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc., 425 U.S. 748 (1976), and Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n, 447 U.S. 557 (1980); Bates v. State Bar of Ariz., 433 U.S. 350 (1977); see also Bolger v. Youngs Drugs Prods. Corp., 103 S. Ct. 2875 (1983) (unsolicited mailing of contraceptive advertisements to the public cannot be prohibited under the first amendment).

have been litigated.[120] In sum, the commercial-political distinction is misleading, unnecessary, and potentially harmful to the broad immunity the Court recognized in *Noerr*.

3. Petitioning the Courts

The starting point for analysis of any claim that a lawsuit is sham must be that "[t]he fundamental requisite of due process of law is the opportunity to be heard." [121] Yet the recent dramatic increase in reliance upon the sham exception,[122] as well as the tendency of defendants to assert an antitrust counterclaim that the plaintiff's suit is baseless,[123] threaten to subvert *Noerr* from a shield into a sword. It is now common in patent, trademark, or copyright infringement litigation for the defendant to counterclaim that the filing of suit constitutes a violation of the antitrust laws.[124] The second largest

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[120] See supra notes 88-99 and accompanying text.

[121] Grannis v. Ordean, 234 U.S. 385, 394 (1914); see Logan v. Zimmerman Brush Co., 455 U.S. 422, 429-30 & n.5 (1982).

[122] Between 1961, when *Noerr* was decided, and the end of 1975, there were only 10 reported cases in which the sham exception was invoked. See Appendix C. From 1976 through 1983, there were 75, an increase of 750%. Id. By contrast, during approximately the same period, the number of private antitrust suits *decreased* by 13%, while the total number of private litigations filed *increased* by 71%. 1983 Dir. Ad. Off. U.S. Cts. Ann. Rep., Table C-2, at 219; 1975 Dir. Ad. Off. U.S. Cts. Ann. Rep., Table C-2 at 354.

[123] Prior to 1979, in only nine of the 21 reported decisions (31%) were the claims asserted in counterclaims. Since January 1, 1979, the figures are 26 of 64 (42%). See Appendix C.

[124] In 16 out of 19 patent, trademark, and copyright cases involving *Noerr* claims, the claims arose in counterclaims or in the affirmative defense of trademark misuse. *Counterclaims:* Miller Brewing Co. v. General Brewing Co., Nos. 82-4479, 82-4500 (9th Cir. June 17, 1983) (not for publication); Coca-Cola Co. v. Overland, Inc., 692 F.2d 1250, 1257 (9th Cir. 1982); Edward B. Marks Music Corp. v. Colorado Magnetics, Inc., 497 F.2d 285, 290-91 (10th Cir. 1974), cert. denied, 419 U.S. 1120 (1975); Alberto-

category of *Noerr* litigation consists of counterattacks asserting that the original claims of trade secret theft or violations of fiduciary duties or ancillary agreements not to compete were sham.[125] The third largest category re-

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Culver Co. v. Andrea Dumon, Inc., 466 F.2d 705, 711 (7th Cir. 1972); Columbia Pictures Indus. v. Redd Horne Inc., 568 F. Supp. 494, 501 (W.D. Pa. 1983); AB Iro v. Otex, Inc., 566 F. Supp. 419, 460-64 (D.S.C. 1983); Deere & Co. v. Farmhand, Inc., 560 F. Supp. 85, 100-01 (S.D. Iowa 1982), aff'd, 721 F.2d 253 (8th Cir. 1983); Rohm & Haas Co. v. Dawson Chem. Co., 557 F. Supp. 739, 793-99 (S.D. Tex. 1983); Picante, Inc. v. Jimenez Food Prods., Inc., 1982-2 Trade Cas. (CCH) ¶ 64,977, at 73,060-61 (W.D. Tex.); GCA Corp. v. Chance, 1981-1983 Copyright L. Dec. (CCH) ¶ 25,464, at 17,767 (N.D. Cal. 1982); Manpower, Inc. v. Foley, 212 U.S.P.Q. (BNA) 445, 448-49 (D. Mass. 1980); Pennwalt Corp. v. Zenith Labs., Inc., 472 F. Supp. 413, 423-24 (E.D. Mich. 1979), appeal dismissed, 615 F.2d 1362 (6th Cir. 1980); Loctite Corp. v. Fel-Pro, Inc., 1978-2 Trade Cas. (CCH) ¶ 62,204, at 73,357-58 (N.D. Ill.); Platt Saco Lowell, Ltd. v. Spindelfabrik Suessen-Schurr, 1978-1 Trade Cas. (CCH) ¶ 61,898, at 73,775 (N.D. Ill. 1977), later proceeding 208 U.S.P.Q. (BNA) 479 (N.D. Ill. 1980). *Affirmative Defense:* Orth-O-Vision, Inc. v. Home Box Office, 474 F. Supp. 672, 686-87 (S.D.N.Y. 1979). *Direct Claims:* Handgards, Inc. v. Ethicon, Inc., 601 F.2d 986, 992-98 (9th Cir. 1979), cert. denied, 444 U.S. 1025 (1980), judgment for plaintiff on remand, 522 F. Supp. 820 (N.D. Cal. 1982), aff'd, 743 F.2d 1282 (9th Cir. 1984), cert. denied, 53 U.S.L.W. 3528 (U.S. Jan. 21, 1985) (No. 84-830); Consortium, Inc. v. Knoxville Int'l Energy Expo., 563 F. Supp. 56, 58 (E.D. Tenn. 1983); Classic Film Museum, Inc. v. Warner Bros., 523 F. Supp. 1230, 1233-34 (D. Me. 1981).

[125] Aydin Corp. v. Loral Corp., 718 F.2d 897 (9th Cir. 1983); Hydro-Tech Corp. v. Sundstrand Corp., 673 F.2d 1171 (10th Cir. 1982); National Cash Register Corp. v. Arnett, 554 F. Supp. 1176 (D. Colo. 1983); Baxter Travenol Labs., Inc. v. LeMay, 536 F. Supp. 247 (S.D. Ohio 1982); Sage Int'l, Ltd. v. Cadillac Gage Co., 507 F. Supp. 939 (E.D. Mich. 1981); Johns-Manville Corp. v. Guardian Indus., 1981-1 Trade Cas. (CCH) ¶ 64,054 (E.D. Mich.); Technicon Medical Info. Sys. v. Green Bay Packaging, Inc., 480 F. Supp. 124 (E.D. Wis. 1979); Cyborg Sys. v. Management Science Am., Inc., 1978-1 Trade Cas. (CCH) ¶ 61,927 (N.D. Ill.); Strategic Mktg. Servs. v. Cut & Curl, Inc., 1977-2 Trade Cas. (CCH) ¶ 61,788 (D. Conn.); United States v. Empire Gas Corp., 393 F. Supp. 903 (W.D. Mo. 1975), aff'd, 537 F.2d 296 (8th Cir. 1976), cert. denied, 429 U.S. 1122 (1977).

lates to claims arising out of zoning regulations, particularly the location of shopping centers.[126] The remaining alleged sham suits run the gamut from breach of contract actions[127] to challenges that offers of computer services violate the National Bank Act,[128] that the use of double crypts in cemeteries is unlawful,[129] and that the grant of government licenses is improper.[130]

Unfortunately, the facts and holdings of many of these cases are unclear since it is not uncommon for plaintiffs to assert conclusory allegations of sham[131] and for the

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[126] Landmarks Holding Corp. v. Bermant, 664 F.2d 891 (2d Cir. 1981); Bob Layne Contractor, Inc. v. Bartel, 504 F.2d 1293 (7th Cir. 1974), aff'g 1973-2 Trade Cas. (CCH) ¶ 74,646 (S.D. Ind.); Ross v. Bremer, 1982-2 Trade Cas. (CCH) ¶ 64,746 (W.D. Wash.); Dominicus Americana Bohio v. Gulf & W. Indus., 473 F. Supp. 680 (S.D.N.Y. 1979); Wilmorite, Inc. v. Eagan Real Estate, Inc., 454 F. Supp. 1124 (N.D.N.Y. 1977), aff'd mem., 578 F.2d 1372 (2d Cir.), cert. denied, 439 U.S. 983 (1978).

[127] See, e.g., Valerio v. Boise Cascade Corp., 645 F.2d 699 (9th Cir. 1981) (per curiam), aff'g and adopting 80 F.R.D. 626 (N.D. Cal. 1978), cert. denied, 454 U.S. 1126 (1981); Chest Hill Co. v. Guttman, 1981-2 Trade Cas. (CCH) ¶ 64,417, at 75,049-59 (S.D. Ohio); Realco Serv., Inc. v. Holt, 479 F. Supp. 880, 883-85 (E.D. Pa. 1979).

[128] Association of Data Processing Servs. Orgs. v. Citibank, 508 F. Supp. 91 (S.D.N.Y. 1980).

[129] Mountain Grove Cemetery Ass'n v. Norwalk Vault Co., 428 F. Supp. 951 (D. Conn. 1977).

[130] B.A.M. Liquors, Inc. v. Satenstein, 1976-2 Trade Cas. (CCH) ¶ 60,997 (S.D.N.Y.); Central Bank v. Clayton Bank, 424 F. Supp. 163 (E.D. Mo.), aff'd mem., 553 F.2d 102 (8th Cir. 1976), cert. denied, 443 U.S. 910 (1977).

[131] See, e.g., Valerio v. Boise Cascade Corp., 645 F.2d 699, 700 (9th Cir. 1981) (per curiam), aff'g and adopting 80 F.R.D. 626, 650-52 (N.D. Cal. 1978), cert. denied, 454 U.S. 1126 (1981); Association of Data Processing Servs. Orgs. v. Citibank, 508 F. Supp. 91, 93 (S.D.N.Y. 1980); Reaemco, Inc. v. Allegheny Airlines, 496 F. Supp. 546, 558 n.10 (S.D.N.Y. 1980).

courts either merely to state their holdings without any explanation [132] or to discuss the issues in an unclear manner.[133] While this has resulted in considerable confusion, where the facts have been sufficiently described, the precise holdings of most of the cases can in large measure be reconciled with *Noerr* and its progeny.

a. *The Possible Multiplicity of Claims Requirement*—A frequently litigated question is whether the sham exception applies to a single suit against the antitrust plaintiff or whether it is necessary to show a "pattern of baseless, repetitive claims." [134] Initially, some courts

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[132] See, e.g., First Am. Title Co. v. South Dakota Land Title Ass'n, 714 F.2d 1439, 1445-48 (8th Cir. 1983), cert. denied, 104 S. Ct. 709 (1984); Picante, Inc. v. Jimenez Food Prods., Inc., 1982-2 Trade Cas. (CCH) ¶ 64,977, at 73,063-64 (W.D. Tex.); GCA Corp. v. Chance, 1981-1983 Copyright L. Dec. (CCH) ¶25,464, at 17,766-67 (N.D. Cal. 1982); Orth-O-Vision, Inc. v. Home Box Office, 474 F. Supp. 672, 686-87 (S.D.N.Y. 1979); United States v. Empire Gas Corp., 393 F. Supp. 903, 914 (W.D. Mo. 1975); aff'd, 537 F.2d 296 (8th Cir. 1976), cert. denied, 429 U.S. 1122 (1977); Baltimore & O.R.R. v. New York, N.H. & H.R.R., 196 F. Supp. 724, 748 (S.D.N.Y. 1961).

[133] See, e.g., Rohm & Haas Co. v. Dawson Chem. Co., 557 F. Supp. 739, 842 (S.D. Tex. 1983); Rahal v. Crestmont Cadillac Corp., 514 F. Supp. 926, 932-33 (N.D. Ohio 1981); City of Gainesville v. Florida Power & Light Co., 488 F. Supp. 1258, 1264-66 & n.5 (S.D. Fla. 1980); Technicon Medical Info. Sys. v. Green Bay Packaging, Inc., 480 F. Supp. 124, 126-28 (E.D. Wis. 1979); Colorado Petroleum Marketers Ass'n v. Southland Corp., 476 F. Supp. 373, 377-80 (D. Colo. 1979); Mountain Grove Cemetery Ass'n v. Norwalk Vault Co., 428 F. Supp. 951, 956 (D. Conn. 1977).

[134] *California Motor Transport*, 404 U.S. at 513. In Vendo Co. v. Lektro-Vend Corp., 433 U.S. 623 (1977), three members of the Court, in an opinion by Justice Rehnquist, ruled that § 16 of the Clayton Act, 15 U.S.C. § 26 (1982), does not authorize injunctions against allegedly sham suits pending in a state court. Justice Blackmun and the Chief Justice concurred in the result, but concluded that "pending state-court proceedings . . . must be part of a 'pattern of baseless, repetitive claims'"—which they were not in the instant case—before an injunction may be entered. 433

limited the exception to repetitive litigation [135] or required proof of a denial of access.[136] The weight of authority, however, is to the contrary.[137] As one judge colorfully

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U.S. at 644 (quoting *California Motor Transport*, 404 U.S. at 513). Justice Stevens and the three remaining members of the Court dissented, arguing that § 16 expressly authorizes injunctions against sham state court proceedings, even if only one suit is pending. Id. at 661-62.

[135] Hospital Bldg. Co. v. Trustees of Rex Hosp., 691 F.2d 678, 687-88 (4th Cir. 1982), cert. denied, 104 S. Ct. 259 (1983); Johns-Manville Corp. v. Guardian Indus., 1981-1 Trade Cas. (CCH) ¶ 64,054, at 76,426-27 (E.D. Mich.); S.M. Arnold, Inc. v. Union Carbide Corp., 487 F. Supp. 1182, 1184 (E.D. Mo. 1980); Mountain Grove Cemetery Ass'n v. Norwalk Vault Co., 428 F. Supp. 951, 955-56 (D. Conn. 1977); Rush-Hampton Indus. v. Home Ventilating Inst., 419 F. Supp. 19, 24 (M.D. Fla. 1976).

[136] City of Cleveland v. Cleveland Elec. Illuminating Co., 734 F.2d 1157, 1162-63 (6th Cir.), cert. denied, 105 S. Ct. 253 (1984); BusTop Shelters, Inc. v. Convenience & Safety Corp., 521 F. Supp. 989, 995 (S.D.N.Y. 1981) (lack of allegation of denial of access to government official a factor in court's decision to dismiss complaint); Central Bank v. Clayton Bank, 424 F. Supp. 163, 167 (E.D. Mo. 1976), aff'd mem., 553 F.2d 102 (8th Cir.), cert. denied, 433 U.S. 910 (1977). But see Litton Sys. v. American Tel. & Tel. Co., 700 F.2d 785, 809 n.36 (2d Cir. 1983) ("applicability of the sham exception [does not turn] on whether a competitor is barred from access to administrative agencies or the courts"), cert. denied, 104 S. Ct. 984 (1984); Transkentucky Transp. R.R. v. Louisville & N.R.R., 581 F. Supp. 759, 770 (E.D. Ky. 1983) (deprivation of access to judicial or administrative forum need not be alleged to maintain an action under the antitrust laws); Outboard Marine Corp. v. Pezetel, 474 F. Supp. 168, 176-78 (D. Del. 1979) (defendant's "access" to judicial process held insufficient to invalidate defendant's counterclaim that plaintiff instituted a "sham" claim).

[137] MCI Communications Corp. v. American Tel. & Tel. Co., 708 F.2d 1081, 1154-55 (7th Cir.), cert. denied, 104 S. Ct. 234 (1983); National Cash Register Corp. v. Arnett, 554 F. Supp. 1176, 1177-78 (D. Colo. 1983); First Am. Title Co. v. South Dakota Land Title Ass'n, 541 F. Supp. 1147, 1159 (D.S.D. 1982), aff'd, 714 F.2d 1439 (8th Cir. 1983), cert. denied, 104 S. Ct. 709 (1984); Baxter Travenol Labs., Inc. v. LeMay, 536 F. Supp. 247, 253 n.4 (S.D. Ohio 1982); Sage Int'l, Ltd. v. Cadillac Gage Co., 507 F.

put it, the Court in *California Motor Transport* did not "inten[d] to give every dog one free bite, thus making it an irrebuttable presumption that the first lawsuit was not a sham regardless of overwhelming evidence indicating otherwise." [138]

b. *The Significance of the Meritoriousness of the Allegedly Sham Suit*—Once it has been determined that a treble damage action can be based on a single suit, the next question to be addressed is whether sham in a litigation context is different from sham petitioning of the legislative or executive branches. Whether a claim of sham can be maintained where the earlier litigation was successful should be the easiest issue for the courts to resolve. It should be self-evident that a suit cannot, in any sense of the word, be "sham" where it has been

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Supp. 939, 944-47 (E.D. Mich. 1981); First Nat'l Bank v. Marquette Nat'l Bank, 482 F. Supp. 514, 519-21 (D. Minn. 1979), aff'd, 636 F.2d 195 (8th Cir. 1980), cert. denied, 450 U.S. 1042 (1981); Technicon Medical Info. Sys. v. Green Bay Packaging, Inc., 480 F. Supp. 124, 127-28 (E.D. Wis. 1979); Colorado Petroleum Marketers Ass'n v. Southland Corp., 476 F. Supp. 373, 378-79 (D. Colo. 1979); see also 1 P. Areeda & D. Turner, supra note 68, ¶ 203.1e, at 8 (Supp. 1982) (number of unsuccessful suits is probative but not determininative).

In the Ninth Circuit, two panels strongly implied in unpublished opinions that more than one suit was necessary. Miller Brewing Co. v. General Brewing Co., Nos. 82-4479, 82-4500 (9th Cir. June 17, 1983); Acquarian Prods., Inc. v. Dyna Clean, Inc., No. 80-5925 (9th Cir. April 9, 1982). Ten days after the first opinion, but without referring to it, another panel reached a contrary conclusion, as did two later decisions. Clipper Exxpress v. Rocky Mt. Motor Tariff Bureau, Inc., 674 F.2d 1252, 1265-67 (9th Cir. 1982), cert. denied, 103 S. Ct. 1234 (1983); Aydin Corp. v. Loral Corp., 718 F.2d 897, 903 (9th Cir. 1983); Energy Conservation, Inc. v. Heliodyne, Inc., 698 F.2d 386, 388-89 (9th Cir. 1983). Similarly, the last three opinions, *Clipper Exxpress*, *Aydin*, and *Energy Conservation*, failed to refer to the earlier contrary decisions of the other panels.

[138] Colorado Petroleum Marketers Ass'n v. Southland Corp., 476 F. Supp. 373, 378 (D. Colo. 1979).

found meritorious.[139] This was implicit in Justice Douglas' characterization of the oppositions in *California Motor Transport* as "baseless."[140] However, some courts, curiously enough, have intimated that "success alone" is not determinative,"[141] that "success is . . . only one factor

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[139] Columbia Pictures Indus. v. Redd Horne Inc., 749 F.2d 154, 161 (3d Cir. 1984); Town of Massena v. Niagara Mohawk Power Corp., 1980-2 Trade Cas. (CCH) ¶ 63,526, at 76,818 (N.D.N.Y.); see Taylor Drug Stores, Inc. v. Associated Dry Goods Corp., 560 F.2d 211, 213-14 (6th Cir. 1977) (per curiam); Edward B. Marks Music Corp. v. Colorado Magnetics, Inc., 497 F.2d 285, 290-91 (10th Cir. 1974), cert. denied, 419 U.S. 1120 (1975); City of Mishawaka v. American Elec. Power Co., 465 F. Supp. 1320, 1345-46 (N.D. Ind. 1979), aff'd in part and remarded on other grounds, 616 F.2d 976 (7th Cir. 1980), cert. denied, 449 U.S. 1096 (1981); Bracken's Shopping Center, Inc. v. Ruwe, 273 F. Supp. 606, 608 (S.D. Ill. 1967); see also Citizen's Wholesale Supply Co. v. Snyder, 201 F. 907, 909-10 (3d Cir.) (defendant not liable for antitrust violation where he acted in good faith to redress the violation of an ordinance, even if the ordinance was of doubtful validity), cert. denied, 229 U.S. 609 (1913).

[140] 404 U.S. at 513.

[141] Unity Ventures v. County of Lake, 1984-1 Trade Cas. (CCH) ¶ 65,883, at 67,719-20 (N.D. Ill. 1983) (success in earlier administrative proceeding is not determinative). Compare Ross v. Bremer, 1982-2 Trade Cas. (CCH) ¶ 64,746, at 71,618 (W.D. Wash.) (success not determinative), and Aydin Corp. v. Loral Corp., 718 F.2d 897, 903 (9th Cir. 1983) (success might be helpful as one indication of plaintiff's intent in bringing the suit), and Wood v. MacDonald Group, Ltd., No. 82-5563 (9th Cir. March 21, 1983) (success is determinative), and Anti-Monopoly, Inc. v. General Mills, Inc., 684 F.2d 1326, 1328 (9th Cir. 1982) (same), and Coca-Cola Co. v. Overland, Inc., 692 F.2d 1250, 1257 n.17 (9th Cir. 1982) (the court did not decide whether success is determinative, but opined that the contrary view "appears questionable").

The Ninth Circuit in *Wood* interpreted *Coca-Cola* as setting a hard and fast rule that no successful action can be a sham. The district court in *Ross* relied for its contrary conclusion on Ernest W. Hahn, Inc. v. Codding, 615 F.2d 830, 841 n.13 (9th Cir. 1980), where the Ninth Circuit stated that "success before the . . . adjudicative body is not the sole criterion for determining whether a

to consider in determining whether an action is a 'sham' " [142] or that the defendant's success, "at a minimum, create[s] a presumption that the action was [not sham]." [143] How a successful suit can conceivably be a sham is not explained, nor do we understand how it could be.

Suppose a lawsuit against a competitor is unsuccessful. Under what circumstances would antitrust liability be incurred? We begin with the admitted fact in all of these cases that the suit was motivated by an anticompetitive purpose and that it caused injury to competitors, competition, and, more particularly, to the antitrust plaintiff. Given that the railroads' "sole purpose" in *Noerr* "was to *destroy*" its competitors [144] and that in

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. . . proceeding was undertaken as a sham . . . , [but] is [only] a factor [to be] considered." By contrast, the Ninth Circuit in *Wood* and *Coca-Cola* did not refer to *Hahn*, while in *Aydin* it relied on *Hahn* to imply that success is not determinative, but, true to form, failed to refer to *Anti-Monopoly* or *Coca-Cola*. In its final word on the matter, the Ninth Circuit, in affirming the dismissal of a counterclaim alleging sham litigation., Sealy, Inc. v. Easy Living, Inc., 743 F.2d 1378 (9th Cir. 1984), interpreted *Coca-Cola* as standing for the proposition that there was "no authority for holding meritorious lawsuits to be 'sham' litigation violative of [the] antitrust laws." Id. at 1384.

[142] Sunergy Communities, Inc. v. Aristek Props., Ltd., 535 F. Supp. 1327, 1331 (D. Colo. 1982).

[143] Manpower, Inc. v. Foley, 212 U.S.P.Q. (BNA) 445, 449 (D. Mass. 1980); see also Baxter Travenol Labs., Inc. v. LeMay, 536 F. Supp. 247, 252 (S.D. Ohio 1982) (success, "while not a rigid requirement . . . ., is strong evidence, and is probably dispositive"); Central Bank v. Clayton Bank, 424 F. Supp. 163, 167 (E.D. Mo. 1976) (success has some weight in determining whether a suit is a sham), aff'd mem., 553 F.2d 102 (8th Cir), cert. denied, 433 U.S. 910 (1977); P. Areeda & D. Turner, supra note 68, ¶ 203.1d, at 7 (Supp. 1982) (a successful suit creates "a strong presumption that its assertion cannot have been a sham").

[144] *Noerr*, 365 U.S. at 138 (emphasis added). As the Supreme Court recently explained, in *Noerr* the Court's "conclusion was not

Pennington the Court reiterated that *Noerr* bars the imposition of antitrust liability for petitioning "regardless of intent or purpose," [145] one would have thought that the issue of whether such animus by itself could constitute sham had been conclusively settled. Happily, most courts have denied liability based solely on the defendants' intent.[146] Some judges, however, have held that if a defendant seeks governmental action in order to harm his competitor, the antitrust laws can be applied to his petitioning.[147] An egregious example is one

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changed by the fact that the railroads' anticompetitive *purpose* produced an anticompetitive *effect*." NAACP v. Claiborne Hardware Co., 458 U.S. 886, 913-14 (1982).

[145] *Pennington*, 381 U.S. at 670.

[146] See, e.g., City of Cleveland v. Cleveland Elec. Illuminating Co., 734 F.2d 1157, 1162 (6th Cir.), cert. denied, 105 S. Ct. 253 (1984); Hydro-Tech Corp. v. Sundstrand Corp., 673 F.2d 1171, 1175 (10th Cir. 1982); Mark Aero, Inc. v. Trans World Airlines, 580 F.2d 288, 294 (8th Cir. 1978); Interstate Props. v. Pyramid Co., 586 F. Supp. 1160, 1162 (S.D.N.Y. 1984); Southern Pac. Communications Co. v. American Tel. & Tel. Co., 556 F. Supp. 825, 870-71 (D.D.C. 1983), aff'd, 740 F.2d 980 (D.C. Cir. 1984); Sims v. Tinney, 482 F. Supp. 794, 801 (D.S.C. 1977), aff'd mem., 615 F.2d 1358 (4th Cir. 1979); Wall Prods. Co. v. National Gypsum Co., 326 F. Supp. 295, 296 n.2, 328 (N.D. Cal. 1971).

[147] See Coastal States Mktg., Inc. v. Hunt, 694 F.2d 1358, 1371-72 (5th Cir. 1983); Grip-Pak, Inc. v. Illinois Tool Works, Inc., 694 F.2d 466 (7th Cir. 1982), cert. denied, 103 S. Ct. 2430 (1983) (discussed infra notes 156-88 and accompanying text); Handgards, Inc. v. Ethicon, Inc., 601 F.2d 986, 993-96 (9th Cir. 1979), cert. denied, 444 U.S. 1025 (1980), judgment for plaintiff on remand, 522 F. Supp. 820 (N.D. Cal. 1982), aff'd, 743 F.2d 1282 (9th Cir. 1984), cert. denied, 53 U.S.L.W. 3528 (U.S. Jan. 21, 1985) (No. 84-830); U.S. Audio & Copy Corp. v. Philips Business Sys., 1983-1 Trade Cas. (CCH) ¶ 65,364, at 70,174 (N.D. Cal.); Brown v. Carr, 1980-1 Trade Cas. (CCH) ¶ 63,033, at 77,127-28 (D.D.C. 1979); BED Transp. Co. v. United States Steel Corp., 1976-2 Trade Cas. (CCH) ¶ 61,079, at 69,871-72 (N.D. Cal.); United States Dental Inst. v. American Ass'n of Orthodontists, 396 F. Supp. 565, 582-83 (N.D. Ill. 1975).

court's refusal to dismiss a suit alleging that the defendant's "intent and purpose" in opposing the plaintiff's request to the Civil Aeronautics Board for a "subsidy" was one of a series of "predatory" acts made to "eliminat[e] plaintiff as a viable competitor." [148] It goes without saying that a decision holding that opposition to the grant of a government subsidy to a competitor can be the predicate for an antitrust violation is irreconcilable with even the most strained reading of *Noerr*.

We come next to the case where, though the prior suit was unsuccessful or is still pending, it is unquestioned that the plaintiff in that litigation acted in good faith, that there is a genuine issue of fact or law with respect to the merits of the suit, or, put another way, that the antitrust defendant had a "reasonable expectation of obtaining [a] favorable ruling." [149] The case law in this area is not harmonious. Some courts have held that a claim that can survive a summary judgment motion on legal or factual grounds is necessarily not baseless.[150] Similarly, if a litigant succeeds in convincing a trial or appellate court that its case is meritorious then, regardless of the ultimate resolution of the action, *Noerr* applies. For example, if the same legal issue raised by the defendant's suit was considered substantial enough for the Supreme Court to grant a writ of certiorari,

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[148] Aloha Airlines v. Hawaiian Airlines, 349 F. Supp. 1064, 1065, 1068 (D. Hawaii 1972), aff'd on other grounds, 489 F.2d 203 (9th Cir. 1973), cert. denied, 417 U.S. 913 (1974). Compare Reaemco, Inc. v. Allegheny Airlines, 496 F. Supp. 546, 556-58 (S.D.N.Y. 1980) (dismissal of plaintiff's claim that defendants' lobbying to prevent a grant of federal funds to plaintiff, which ultimately resulted in plaintiff's bankruptcy, violated the antitrust laws).

[149] 1 P. Areeda & D. Turner, supra note 68, ¶ 203.1a, at 5 (1982 Supp.).

[150] See, e.g., Chest Hill Co. v. Guttman, 1981-2 Trade Cas. (CCH) ¶ 64,417, at 75,057 (S.D. Ohio); Outboard Marine Corp. v. Pezetel, 474 F. Supp. 168, 175 (D. Del. 1979).

then the action is, without need for any additional proof, not sham.[151] More generally, some courts have rejected claims that a lawsuit is sham where the suit raised "legitimate concerns" [152] or where related parties signed consent judgments admitting key allegations in the complaint.[153] In sum, at least where any court or an opposing party finds merit in a suit, many courts have held that it should be deemed nonbaseless and, as a result, not sham as a matter of law.[154] And if the suit is

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[151] Adolph Coors Co. v. A & S Wholesalers, 561 F.2d 807, 812 (10th Cir. 1977). But compare Landmarks Holding Corp. v. Bermant, 664 F.2d 891, 894 n.6, 896-97 (2d Cir. 1981) (finding that facts fit sham exception despite grant of certification by state supreme court), with id. at 898 (Van Graafeiland, J., dissenting) ("a case in which the [state] Supreme Court has seen fit to grant certification can hardly be described as 'sham' ").

[152] Plumbers & Steamfitters Local 598 v. Morris, 511 F. Supp. 1298, 1308 (E.D. Wash. 1981).

[153] Pennwalt Corp. v. Zenith Labs., Inc., 472 F. Supp. 413, 424 (E.D. Mich. 1979), appeal dismissed mem., 615 F.2d 1362 (6th Cir. 1980).

[154] See, e.g., Omni Resource Dev. Corp. v. Conoco, Inc., 739 F.2d 1412 (9th Cir. 1984); Coca-Cola Co. v. Overland, Inc., 692 F.2d 1250, 1256-57 (9th Cir. 1982); Alberto-Culver Co. v. Andrea Dumon, Inc., 466 F.2d 705, 711 (7th Cir. 1972); GCA Corp. v. Chance, 1981-1983 Copyright L. Dec. (CCH) ¶ 25,464, at 17,766-67 (N.D. Cal. 1982); S.M. Arnold, Inc. v. Union Carbide Corp., 487 F. Supp. 1182, 1184 (E.D. Mo. 1980). But see Anti-Monopoly, Inc. v. General Mills, Inc., 684 F.2d 1326, 1328 (9th Cir. 1982) (summary judgment for defendants reversed notwithstanding district court's grant of summary judgment on the allegedly sham suit, a judgment that already had been reversed); Handgards, Inc. v. Ethicon, Inc., 601 F.2d 986, 989 n.5 (9th Cir. 1979) (despite fact that underlying issue "could have been decided either way" at prior stage of litigation, verdict for plaintiff reversed and remanded), cert. denied, 444 U.S. 1025 (1980), judgment for plaintiff on remand, 552 F. Supp. 820 (N.D. Cal. 1982), aff'd, 743 F.2d 1282 (9th Cir. 1984), cert. denied, 53 U.S.L.W. 3528 (U.S. Jan. 21, 1985) (No. 84-830); cf. Winterland Concessions Co. v. Trela, 735 F.2d 257, 263 n.4 (7th Cir. 1984) (dismissal reversed notwithstanding prior issuance of ex parte temporary restraining orders).

not baseless, some courts have held that it follows that the protections of *Noerr* should extend to acts reasonably related to the suit, such as threats of bringing nonbaseless actions, or acts taken to defend against a suit, such as a joint defense or the creation of a joint defense fund.[155]

c. *The* Grip-Pak *Decision*—Unfortunately, these decisions do not stand alone. The paradigm of the decisions holding that a suit having a basis in law and fact may nevertheless fall within the scope of the sham exception is *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*[156] The plaintiff, Grip-Pak, alleged that the defendant, Il-

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[155] See, e.g., Coastal States Mktg., Inc. v. Hunt, 694 F.2d 1358, 1367-68 (5th Cir. 1983); Zenith Radio Corp. v. Matsushita Elec. Indus., 513 F. Supp. 1100, 1155-57 (E.D. Pa. 1981), aff'd in part, rev'd in part sub nom. *In re* Japanese Elec. Prods. Antitrust Litig., 723 F.2d 238 & id. at 319 (3d Cir. 1983); Outboard Marine Corp. v. Pezetel, 474 F. Supp. 168, 174 (D. Del. 1979); Pennwalt Corp. v. Zenith Labs., Inc. 472 F. Supp. 413, 424 (E.D. Mich. 1979), appeal dismissed mem., 615 F.2d 1362 (6th Cir. 1980); Gould v. Control Laser Corp., 462 F. Supp. 685, 693 (M.D. Fla. 1978), appeal dismissed in part and aff'd in part, 650 F.2d 617 (5th Cir. 1981); Clairol, Inc. v. Boston Discount Center, 1976-2 Trade Cas. (CCH) ¶ 61,108, at 70,020 (E.D. Mich.), aff'd on other grounds, 608 F.2d 1114 (6th Cir. 1979). But see Alexander v. National Farmers Org., 687 F.2d 1173, 1200-03 (8th Cir. 1982) (threats of litigation are outside the *Noerr-Pennington* exemption), cert. denied, 461 U.S. 937 (1983); Oahu Gas Serv. v. Pacific Resources, Inc., 460 F. Supp. 1359, 1386 (D. Hawaii 1978) (threats of litigation directed at competitor's customers are not within the *Noerr* exception).

[156] 694 F.2d 466 (7th Cir. 1982), cert. denied, 103 S. Ct. 2430 (1983).

In Associated Radio Serv. v. Page Airways, 414 F. Supp. 1088, 1096 (N.D. Tex. 1976), the court employed an analysis similar to that of the *Grip-Pak* court, stating that the "baselessness" of a lawsuit "is only one aspect of various possible abuses of the legal process" that could constitute sham litigation. The Fifth Circuit later "agree[d]" with this view of the law. Associated Radio Serv. v. Page Airways, 624 F.2d 1342, 1358 (5th Cir. 1980), cert. denied, 450 U.S. 1030 (1981).

linois Tool Works, was the "dominant manufacturer" of plastic holders for "six-packs" of beer and other beverages.[157] It claimed that Illinois Tool prosecuted three allegedly "baseless and groundless lawsuits in bad faith, not for the legitimate purpose of adjudicating a legal controversy, but, rather, for an ulterior motive, i.e., to eliminate competition." [158] One of these suits, brought in state court, charged Grip-Pak with the theft of trade secrets.[159] In that action, Grip-Pak had counterclaimed that Illinois Tool was guilty of malicious prosecution in bringing the action.[160] The state court precluded Grip-Pak from litigating the issue at trial but, in ruling against Illinois Tool, it expressly found that the action was "not malicious." [161] In the subsequent antitrust case, the district court granted summary judgment to Illinois Tool, holding that the prior finding of no malice was entitled to collateral estoppel effect and that, accordingly, because a "nonmalicious lawsuit is not actionable under the antitrust laws," Illinois Tool's suit "could not be a source of antitrust injury to Grip-Pak." [162]

The Court of Appeals for the Seventh Circuit reversed. As a prelude to finding an antitrust violation, the court decided that because the parties had not litigated the question of malice during the state court trial, the district court had erred in ruling that the plaintiff was collaterally estopped from raising that issue in the antitrust suit.[163] Instead of simply remanding the case at that point, the court radically departed from *Noerr's* teach-

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[157] *Grip-Pak*, 694 F.2d at 468.

[158] Id.

[159] Id.

[160] Id.

[161] Id.

[162] Id.

[163] Id. at 469-70.

ings, holding that a well-founded lawsuit could constitute sham and result in antitrust liability to the "sham" litigant.

In an opinion by Judge Posner, the court began its analysis by framing the scope of the sham exception in terms of the reach of the first amendment.[164] Using this constitutional approach, the court likened antitrust claims of sham litigation to the torts of malicious prosecution and abuse of process. After noting that under Illinois law malicious prosecution requires proof of "improper purpose" and "lack of probable cause to believe that the lawsuit may have merit," [165] Judge Posner stated that to make out a case of abuse of process all that need be shown is that the suit was brought with an improper purpose.[166] The court then reasoned: "If abuse of process is not constitutionally protected, no more should litigation that has an improper anticompetitive purpose be protected, *even though the plaintiff has a colorable claim.*" [167] Having denied constitutional protection to litigation having an improper anticompetitive purpose, the court concluded that a suit commenced with such a purpose can give rise to antitrust liability.[168] Judge Posner explained:

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[164] Id. at 470-71.

[165] Id. at 470. To prove a claim of malicious prosecution, the plaintiff must establish that (a) the defendant actively initiated or continued a criminal proceeding against the plaintiff; (b) the proceeding was terminated in favor of the plaintiff; (c) the defendant did not have probable cause that its initiation or continuation of the proceeding was well-founded; and (d) the defendant's primary purpose was other than to bring the plaintiff to justice. See W. Prosser, Law of Torts § 119 (4th ed. 1971); Restatement (Second) of Torts § 653 (1977). In recent years, many jurisdictions have expanded the tort to include civil, as well as criminal, proceedings. Prosser, supra, at § 120; see Restatement, supra, at § 674.

[166] *Grip-Pak*, 694 F.2d at 470-71.

[167] Id. at 471 (emphasis added).

[168] Id. at 472.

But we are not prepared to rule that the difficulty of distinguishing lawful from unlawful purpose in litigation between competitors is so acute that such litigation can never by considered an actionable restraint of trade, provided it has some, though perhaps only threadbare, basis in law. Many claims not wholly groundless would never be sued on for their own sake; the stakes, discounted by the probability of winning, would be too low to repay the investment in litigation.

. . . [*W*]*e think it is premature to hold that litigation, unless malicious in the tort sense, can never be actionable under the antitrust laws.* The existence of a tort of abuse of process shows that it has long been thought that litigation could be used for improper purposes *even when there is probable cause for the litigation; and if the improper purpose is to use litigation as a tool for suppressing competition in an antitrust sense,* see, e.g., *Products Liability Ins. Agency, Inc. v. Crum & Forster Ins. Cos.*, 682 F.2d 660, 663-64 (7th Cir. 1982), it becomes a matter of antitrust concern. This is not to say that litigation is actionable under the antitrust laws merely because the plaintiff is trying to get a monopoly. He is entitled to pursue such a goal through lawful means, including litigation against competitors. *The line is crossed when his purpose is not to win a favorable judgment against a competitor but to harass him, and deter others, by the process itself—regardless of outcome—of litigating.*[169]

It is impossible to square these views with the holding in *Noerr* and the other decisions of the Supreme Court; nor did Judge Posner attempt to do so. Nowhere in his opinion did he refer to the fact that in *Noerr* it was undisputed that the defendants' "sole purpose . . . was to

[169] Id. (emphasis added).

destroy" their competitors or that the Court had held that the "legality" of the defendants' conduct "was not at all affected by any anticompetitive purpose it may have had." [170] Similarly, Judge Posner left unmentioned Justice White's recognition in *Pennington* that "*Noerr* shields from the Sherman Act a concerted effort to influence public officials *regardless of intent or purpose.*" [171] Nor did the Seventh Circuit explain how—contrary to the numerous contrary decisions,[172] all of which it ignored—a suit instituted with probable cause could, without torturing the English language, be labelled "sham." [173] In short, it is difficult to conceive of an opinion more at war with *Noerr* than *Grip-Pak.*

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[170] *Noerr*, 365 U.S. at 138-40 (emphasis added).

[171] *Pennington*, 381 U.S. at 670 (emphasis added).

[172] See, e.g., supra notes 149-54 and accompanying text.

[173] In support of its "reject[ion of] the proposition that a nonmalicious lawsuit can never violate antitrust law," the court stated that its holding was "supported by most of the cases . . . on the question." *Grip-Pak*, 694 F.2d at 473. But cf. supra notes 139-54 and accompanying text. As grounds for this categorical statement, the court cited only two cases: Kobe, Inc. v. Dempsey Pump Co., 198 F.2d 416 (10th Cir.), cert. denied, 344 U.S. 837 (1952), and Rex Chainbelt, Inc. v. Harco Prods., Inc., 512 F.2d 993 (9th Cir.), cert. denied, 423 U.S. 831 (1975). The first was decided nine years *prior* to *Noerr*. See Baxter Travenol Labs., Inc. v. LeMay, 536 F. Supp. 247, 252 (S.D. Ohio 1982). The second did not even cite *Noerr*, *Pennington*, or *California Motor Transport*, let alone construe those decisions in the manner in which the court in *Grip-Pak* did. In *Kobe*, the court held that a patent was invalid and that the plaintiff had pooled patents in a scheme of monopolization. It also held that even though the plaintiff "did not institute the infringement action in bad faith but believed that some of its patents were infringed," the action "may be considered as having been done to give effect to the unlawful scheme" since the "real purpose of the infringement action and the incidental activities of [the plaintiff] was to further the existing monopoly and to eliminate [the defendant] as a competitor." 198 F.2d at 424-25. The court also held, however, that the "infringement action and the related activities, of course, in themselves were not unlawful, and standing

What is more, the *Grip-Pak* opinion was based upon improper assumptions about both the doctrinal basis for the sham exception and the elements of the tort of abuse of process. Contrary to the court of appeals' view of the scope of the sham exception as a matter of first amendment interpretation, the Court's decision in *Noerr* was based on a construction of the antitrust laws; it was not a ruling of first amendment dimension.[174] The issue was whether Congress intended the antitrust laws to proscribe petitioning of the government. Using the same mode of analysis as it did in *Parker v. Brown*,[175] the *Noerr* Court

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alone would not be sufficient to sustain a claim for damages which they may have caused." Id. at 425. In *Rex Chainbelt*, a patent infringement action, the court held a patent invalid and the plaintiff's licensing program an unlawful tying arrangement. It further stated, however, that the plaintiffs "had a consistent program of bringing patent infringement suits against all other" competitors "attendant to a *bona fide* belief that it was done in protection of their patent." 512 F.2d at 1003 (emphasis added). In any event, to the extent *Kobe* and *Rex Chainbelt* stand for the proposition that institution of a nonbaseless suit can be the predicate for antitrust liability because it is part of a broader unlawful scheme, they are directly contrary to *Pennington* and, as explained below, are at odds with *Noerr* and everything for which it stands. But see Coastal States Mktg., Inc. v. Hunt, 694 F.2d 1358, 1371 n.42 (5th Cir. 1983); Clipper Exxpress v. Rocky Mt. Motor Tariff Bureau, Inc., 674 F.2d 1252, 1274 (9th Cir. 1982), cert. denied, 459 U.S. 1227 (1983), where the courts approved of *Kobe* and *Rex Chainbelt*.

[174] See supra notes 9-10, 14, 16, 116, and accompanying text.

[175] 317 U.S. 341 (1943); see supra note 10 and accompanying text; see also Hoover v. Ronwin, 104 S. Ct. 1989, 1995-98 (1984) (because it was acting as sovereign, conduct of Arizona Supreme Court's Committee on Examinations and Admissions in ruling on petitions for admission to the bar is exempt from Sherman Act liability regardless of ruling's anticompetitive intent or effect). But compare Community Communications Co. v. City of Boulder, 455 U.S. 40, 48-51 (1982) (local governments that are not acting ultra vires but are not acting in furtherance or implementation of clearly articulated and affirmatively expressed state policy are not exempt from antitrust liability), with id. at 60-71 (Rehnquist, J., dissenting), and Handler, supra note 18, at 1363, 1374-83 (the state action

held that the answer was negative—regardless of whether the conduct was constitutionally protected. By ignoring this holding, Judge Posner completely changed the focus of any *Noerr* analysis. For the question of whether Congress intended to apply the antitrust laws to petitioning conduct is vastly different, implicating vastly different concerns, than whether that conduct is constitutionally protected. Simply because the first amendment may not immunize the filing of nonbaseless lawsuits from all state and federal regulation does not mean that in 1890 Congress intended to prohibit such suits under the antitrust laws. Plainly, if, as Judge Posner posits, the question is whether "all nonmalicious litigation [is] immunized from government regulation by the First Amendment," [176] the likelihood of a negative answer is much greater than if the question is whether Congress intended that the antitrust laws apply to the bringing of such a suit.[177]

Furthermore, the Seventh Circuit was incorrect in assuming that institution of a lawsuit for an improper

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doctrine set forth in *Parker* is one of preemption, not exemption, and the determinative question must be whether there exists true state regulation, which should be respected, or private conduct masquerading as such, to which the Sherman Act should apply).

[176] *Grip-Pak*, 694 F.2d at 471.

[177] To be sure, Judge Posner acknowledges that the "holding [in *Noerr*] was presented as an interpretation of the Sherman Act rather than of the First Amendment." Id. But he ignores this fact in his analysis. As he put it, the issue before the court was whether a "colorable claim" is "constitutionally protected." Id. He also went on to suggest that "i[t] takes a rather free-wheeling imagination to extrapolate from the *California Motor Transport* opinion a principle that . . . would . . . make the tort of abuse of process invalid under the First Amendment." Id. As described below, this conclusion is premised on a fundamental misapprehension of the elements of that tort as well as begging the issue, which is not whether the first amendment invalidates the tort of abuse of process, but whether an action against a competitor for anticompetitive purposes is violative of the Sherman Act.

motive is sufficient to make out a common law claim for abuse of process. It is black letter law that to establish an abuse of process, the plaintiff must prove that the defendant (a) had a primary, ulterior purpose in using the process *and* (b) committed a definite act or threat that was not authorized by the process.[178] Moreover, the very decision the court of appeals relied upon held to the contrary:

> It has been repeatedly held in Illinois that mere institution of proceedings does not in and of itself constitute abuse of process. Some act must be alleged whereby there has been a misuse or perversion of the process of the court. It is the settled law of Illinois that *mere institution of a suit or proceeding, even with a malicious intent or motive, does not itself constitute an abuse of process.*[179]

That court, in turn, had quoted with approval the "settled law of New York" that "the gist of the tort of abuse of process '. . . is the improper use of the process, *after its issuance*, to achieve a collateral, improper purpose.' "[180] Mere proof of an "ulterior motive" is not suf-

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[178] See W. Prosser, Law of Torts § 121 (4th ed. 1971); Restatement (Second) of Torts § 682 & comment a (1977). In an action based on misuse of federal process, the law of the state in which the process was issued controls. There is no federal common law of abuse of process. Wheeldin v. Wheeler, 373 U.S. 647, 652 (1963); see, e.g., Selas Corp. of Am. v. Wilshire Oil Co., 344 F. Supp. 357, 359-60 (E.D. Pa. 1972); Alberto-Culver Co. v. Andrea Dumon, Inc., 295 F. Supp. 1155, 1159 (N.D. Ill. 1969), aff'd in relevant part, 466 F.2d 705 (7th Cir. 1972).

[179] Holiday Magic, Inc. v. Scott, 4 Ill. App. 3d 962, 967, 282 N.E.2d 452, 455-56 (1972) (emphasis added); see Havoco of Am., Ltd. v. Hollobow, 702 F.2d 643, 647 (7th Cir. 1983).

[180] Holiday Magic, Inc. v. Scott, 4 Ill. App. 3d 962, 968, 282 N.E.2d 452, 457 (quoting Cardy v. Maxwell, 9 Misc. 2d 329, 330, 169 N.Y.S.2d 547, 549 (Sup. Ct. 1957)); Dean v. Kochendorfer, 237 N.Y. 384, 390, 143 N.E. 229, 231 (1924); see Federal Prescription Serv. v. American Pharmaceutical Ass'n, 663 F.2d 253, 263 n.9

ficient.[181] Instead, there must be a "misuse or perversion of regularly issued legal process for a purpose not justified by the nature of the process," that is, for a "collateral objective." [182]

(D.C. Cir. 1981), cert. denied, 455 U.S. 928 (1982); Baxter Travenol Labs., Inc. v. LeMay, 536 F. Supp. 247, 249 (S.D. Ohio 1982); Chest Hill Co. v. Guttman, 1981-2 Trade Cas. (CCH) ¶ 64,417, at 75,054-59 (S.D. Ohio); Baker Driveaway Co. v. Bankhead Enters., 478 F. Supp. 857, 860 (E.D. Mich. 1979); Associated Radio Serv. v. Page Airways, 414 F. Supp. 1088, 1096 (N.D. Tex. 1976), aff'd in relevant part, 624 F.2d 1342, 1358 (5th Cir. 1980), cert. denied, 450 U.S. 1030 (1981); Board of Educ. v. Farmingdale Classroom Teachers Ass'n, Inc. Local 1889, 38 N.Y.2d 397, 403, 343 N.E.2d 278, 282, 380 N.Y.S.2d 635, 642 (1975); Note, Limiting the Antitrust Immunity for Concerted Attempts to Influence Courts and Adjudicatory Agencies: Analogies to Malicious Prosecution and Abuse of Process, 86 Harv. L. Rev. 715, 732-35 (1973).

[181] Board of Educ. v. Farmingdale Classroom Teachers Ass'n, Inc. Local 1889, 38 N.Y.2d 397, 403, 343 N.E.2d 278, 282, 380 N.Y.S.2d 635, 642 (1975); accord Curiano v. Suozzi, 63 N.Y.2d 113, 116-17, 480 N.Y.S.2d 466, 468-69, N.E.2d 1324, 1326 (1984).

[182] Board of Educ. v. Farmingdale Classroom Teachers Ass'n, Inc. Local 1889, 38 N.Y.2d 397, 400, 402, 343 N.E.2d 280, 282, 380 N.Y.S.2d 635, 639, 641 (1975). Examples of such actionable, abusive conduct include the following: serving subpoenae on 87 prospective witnesses to testify on the same day while knowing that they could not possibly do so and yet refusing to agree to stagger their appearances; obtaining an injunction or other process to frustrate or compel the performance of a contract; and garnishing wages with knowledge that they are exempt from garnishment in order to jeopardize the plaintiff's employment and, thus, coerce him into using his exempt earnings to pay his debt to the defendant. See Weiss v. Hunna, 312 F.2d 711, 717 (2d Cir.), cert. denied, 374 U.S. 853 (1963); Czap v. Credit Bureau, Cal. App. 3d 1, 5-6, 86 Cal. Rptr. 417, 419-20 (Dist. Ct. App. 1970); Holiday Magic, Inc. v. Scott, 4 Ill. App. 3d 962, 966-68, 282 N.E.2d 452, 455-56 (1972); Board of Educ. v. Farmingdale Classroom Teachers Ass'n Local 1889, 38 N.Y.2d at 404, 343 N.E.2d at 283, 380 N.Y.S.2d at 643. Judge Posner's reliance in *Grip-Pak*, 694 F.2d at 472, on Products Liab. Ins. Agency, Inc. v. Crum & Forster Inc. Cos., 682 F.2d 660, 663-64 (7th Cir. 1982), was also misplaced. *Products Liability*,

Finally, by requiring that every suit turn on the intent of the defendant, the *Grip-Pak* court has almost guaranteed that each case will be submitted to a jury. For as the Supreme Court recently reminded us, the issue of intent "is a pure question of fact," [183] dependent upon the "unique opportunity afforded the [fact finder] to evaluate the credibility of witnesses." [184] Necessarily, "[f]indings as to the design, motive and intent with which men act depend peculiarly upon the credit given to witnesses by those who see and hear them." [185] Compelling defendants to proceed to trial, with all its attendant costs and disruptions, can only discourage businesses from petitioning the government—clearly not the result intended in *Noerr*.[186] While a heightened pleading requirement may be of some help,[187] subjecting defendants to

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also authored by Judge Posner, had nothing at all to do with the "use of litigation" as abuse of process. Rather, it concerned an insurance company's refusal to deal with an insurance broker who also happened to be a lawyer.

[183] Pullman-Standard v. Swint, 456 U.S. 273, 287-88 (1982).

[184] Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 855 (1982).

[185] United States v. Yellow Cab Co., 338 U.S. 338, 341 (1949); see United States v. Oregon State Medical Soc'y, 343 U.S. 326, 339 (1952).

[186] See Hoover v. Ronwin, 104 S. Ct. 1989, 2002 n.34 (1984) (the Court, in holding that a complaint alleging that Arizona's bar admission "grading formula was devised for the purpose of limiting competition" must be dismissed under the state action doctrine, recognized that "[i]f such an allegation is sufficient to survive a motion to dismiss, examining boards and committees would have to bear the substantial 'discovery and litigation burdens' attendant particularly upon refuting a charge of improper motive").

[187] In Franchise Realty Interstate Corp. v. San Francisco Local Joint Executive Bd. of Culinary Workers, 542 F.2d 1076 (9th Cir. 1976), cert. denied, 430 U.S. 940 (1977), the Ninth Circuit, in dismissing a claim of alleged sham opposition to the grant of construction permits, held that:

wide-ranging discovery and trial may be a cure worse than the disease.

Regrettably, the Supreme Court denied a petition for certiorari in *Grip-Pak*,[188] thus bypassing an excellent opportunity to reaffirm the limited scope of the sham exception. Simply put, *Noerr* cannot be harmonized with a holding that nonbaseless claims can be classified as sham merely because their assertion rests upon an improper motive.

d. *The AT&T Decisions*—In two recent decisions upholding large judgments against the American Telephone and Telegraph Company, there is confusing language, as

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> [I]n any case, whether antitrust or something else, where a plaintiff seeks damages or injunctive relief, or both, for conduct which is prima facie protected by the First Amendment, the danger that the mere pendency of the action will chill the exercise of First Amendment rights requires more specific allegations than would otherwise be required.

Id. at 1082-83. Some courts have intimated that such a heightened pleading requirement is necessary in order to protect the right to petition. See Omni-Resource Dev. Corp. v. Conoco, Inc., 739 F.2d 1412, 1415 (9th Cir. 1984); Wood v. MacDonald Group, Ltd., No. 82-5563 (9th Cir. March 31, 1983) (not for publication); Energy Conservation, Inc. v. Heliodyne, Inc., 698 F.2d 386, 389 (9th Cir. 1983); Caplan v. American Baby, Inc., 582 F. Supp. 869, 871 (S.D.N.Y. 1984); Hydro-Tech Corp. v. Sundstrand Corp., 673 F.2d 1171, 1177 n.8 (10th Cir. 1982). Most courts, however, have held that the regular standards of notice pleading apply to the same extent as in any other suit. See Sage Int'l, Ltd. v. Cadillac Gage Co., 507 F. Supp. 939, 943-44 (E.D. Mich. 1981); City of Gainesville v. Florida Power & Light Co., 488 F. Supp. 1258, 1267 (S.D. Fla. 1980); MCI Communications Corp. v. American Tel. & Tel. Co., 462 F. Supp. 1072, 1102 (N.D. Ill.), aff'd per curiam, 594 F.2d 594 (7th Cir. 1978), cert. denied, 440 U.S. 971 (1979); cf. Levitch v. Columbia Broadcasting Sys., 495 F. Supp. 649, 662 (S.D.N.Y. 1980) ("absent the likelihood of a chilling effect upon defendants' protected conduct, the normal pleading requirements will control"), aff'd, 697 F.2d 495 (2d Cir. 1983).

[188] 103 S. Ct. 2430 (1983).

there is in *Grip-Pak*, suggesting that abuse of process is a sufficient basis for antitrust liability.[189] But the decisions themselves are founded upon the juries' determination that AT&T knew that there was no reasonable basis in law and fact for its actions before the administrative bodies.

In *MCI Communications Corp. v. American Telephone & Telegraph Co.*,[190] the crux of MCI's claim was that AT&T had "filed tariffs with state utility commissions in bad faith . . . to deny MCI interconnections" of its long distance telephone lines with AT&T's local facilities.[191] MCI contended that "these tariffs were sham proceedings in the sense that AT&T filed the tariffs knowing that the state commissions lacked jurisdiction over long distance interconnection matters." [192] In finding that AT&T's petitions were baseless, the jury relied on direct testimony

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[189] MCI Communications Corp. v. American Tel. & Tel. Co., 708 F.2d 1081, 1156 (7th Cir.), cert. denied, 104 S. Ct. 234 (1983); Litton Sys. v. American Tel. & Tel. Co., 700 F.2d 785, 809-11 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984); see also Hospital Bldg. Co. v. Trustees of the Rex Hosp., 691 F.2d 678 (4th Cir. 1982), cert. denied, 104 S. Ct. 259 (1983), where, in reversing a posttrial judgment for the plaintiff, the Fourth Circuit "hesitate[d] at this time to rule that any act accompanying a larger conspiracy in restraint of trade, which also may be fairly characterized as 'abuse of process' falls within the sham exception." Id. at 688. The District of Columbia Circuit has also declined to rule on the question. Federal Prescription Serv. v. American Pharmaceutical Ass'n, 663 F.2d 253, 264 & n.11 (D.C. Cir. 1981), cert. denied, 455 U.S. 928 (1982). However, in Associated Radio Serv. v. Page Airways, 624 F.2d 1342, 1358 (5th Cir. 1980), cert. denied, 450 U.S. 1030 (1981), the Fifth Circuit approved of the district court's decision, 414 F. Supp. 1088, 1096 (N.D. Tex. 1976), that "there can be no doubt that [the sham exception] includes the . . . conventional tort [of] abuse of process" and "may include the tort of malicious prosecution."

[190] 708 F.2d 1081 (7th Cir.), cert. denied, 104 S. Ct. 234 (1983).

[191] Id. at 1156.

[192] Id.

and on "internal memoranda" of AT&T, a contrary "previous position" AT&T has espoused before the Federal Communications Commission ("FCC"), and "over twelve months of bad faith negotiations" by AT&T with MCI.[193] On appeal, the Seventh Circuit held that by deliberately delaying MCI and by filing knowingly baseless tariffs with utility commissions in forty-nine states, AT&T had unlawfully maintained its monopoly:

> MCI had to face the prospect of litigation in forty-nine different forums to establish its right to offer its private line services. Any changes in its own charges or services might also then have to be brought before these forty-nine state commissions. This requirement alone would greatly increase litigation costs by requiring MCI to spread its resources across the country and would necessitate the retention of numerous local legal counsel. Perhaps the most harmful aspect of this strategy is the possibility that at least one commission would refuse to allow the proposed service, which might undermine the creation of a nationwide communication system. AT&T's strategy also forced MCI to bear additional costs and expenses in connection with litigation before the courts and the FCC to establish its right to interconnections.[194]

In other words, by finding that there were reasonable grounds to support the jury's verdict, the court of appeals merely applied the holding in *California Motor Transport* that baseless, repetitive conduct can constitute sham.

In *Litton Systems, Inc. v. American Telephone & Telegraph Co.*,[195] the Second Circuit held, inter alia, that

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[193] Id. at 1157-58.

[194] Id. at 1158.

[195] 700 F.2d 785 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984).

Noerr did not protect either AT&T's filing of tariffs with the FCC requiring customers to use only devices of its own design to interconnect their telephone systems with AT&T's lines, or its efforts to convince the FCC to continue those tariffs. Specifically, the court held that the jury had had sufficient evidence before it to find that AT&T's actions were sham, that is, that "AT&T knew that the FCC's basic position was that AT&T could not exclude 'any device' . . . absent a showing of actual harm" to its equipment.[196] The supporting evidence included AT&T's internal reports, proof of AT&T's efforts to do "what it could to delay and obfuscate the efforts undertaken by the FCC and other interested parties to develop certification standards," AT&T's repeated assertions of "the harm that would flow from certification standards without once demonstrating a single instance of harm," its recognition "that the interface device was redundant, uneconomic, and unnecessary," and its "affirmativ[e] misl[eading of] the FCC."[197] Relying on Professor Areeda's formulation of the sham exception as requiring that the petitioner have "no reasonable expectation of obtaining the favorable ruling,"[198] the court held that the evidence at trial amply supported the jury's conclusion that "AT&T had no realistic hope that the FCC

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[196] Id. at 810.

[197] Id. at 811. The court's holding was in the alternative since it had earlier decided—incorrectly we believe—that the filing of tariffs is not a political act and, therefore, is not protected by *Noerr*, whether or not the filings are sham. Id. at 806-09; see supra notes 104-20 and accompanying text. But see Phonetele, Inc. v. American Tel. & Tel. Co., 1984-1 Trade Cas. (CCH) ¶ 65,921, at 67,971 (C.D. Cal.) (questioning this holding); *MCI*, 708 F.2d at 1153 (under *Noerr*, activities such as tariff filings are immune from antitrust liability where purpose is to influence governmental action), cert. denied, 104 S. Ct. 234 (1984).

[198] 1 P. Areeda & D. Turner, supra note 68, ¶ 203.1a (1982 Supp.).

would approve the interface device" and that, therefore, its actions were baseless." [199]

Although the specific holdings in *MCI* and *Litton* are consistent with the *Noerr* doctrine and its sham exception, a strong argument can be made that the courts, as a matter of law, should have overturned the juries' verdicts as contrary to evidence. In *MCI* it was undisputed that "[a]t the time Bell filed its interconnection tariffs . . . , no court had determined that the FCC had exclusive jurisdiction over the tariffs." [200] And when the United States Court of Appeals for the District of Columbia Circuit finally did so rule, the majority described the issue as "substantial," [201] and one judge dissented.[202] Under these circumstances, it would not be unreasonable to conclude that AT&T's position was not without substance and that it should not have been heavily penalized for raising the issue.

Similarly, the Second Circuit stated in *Litton* that in the 1968 *Carterfone* decision [203] the FCC had "in a very real sense cemented its [position] . . . such that from AT&T's perspective it had to be clear as a bell" that AT&T could not succeed.[204] Yet it was not until 1976 that the FCC rejected AT&T's position and, when it did so, two commissioners dissented.[205] In addition, in its

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[199] *Litton*, 700 F.2d at 810-11.

[200] *MCI*, 708 F.2d at 1157 n.115.

[201] California v. FCC, 567 F.2d 84, 86 (D.C. Cir. 1977) (per curiam), cert. denied, 434 U.S. 1010 (1978).

[202] Id. at 87-91 (Robinson, J., dissenting).

[203] *In re* Use of the Carterfone Device in Message Toll Tel. Serv., 13 F.C.C.2d 420, reconsideration denied, 14 F.C.C.2d 571 (1968).

[204] *Litton*, 700 F.2d at 793-94.

[205] Id. at 793-99, 810-12; Interstate & Foreign Message Toll Tel. Serv., 58 F.C.C.2d 736 (1976).

decision allowing AT&T's tariffs to go into effect, the Commission stated:

> Although the tariff bar against any customer providing his own network control signaling unit is not in conflict with our *Carterfone* ruling, *the question remains* as to whether the telephone companies should make provision in their tariffs by which subscribers may have access to the so-called switched telephone network through the use of their own provided network control signaling equipment. *On the basis of the pleadings and comments before us, we are in no position to determine the extent to which any such provision may be consistent with efficient and economic telephone service and otherwise in the public interest.* In our opinion, these and other matters warrant further consideration by the Commission before it determines whether and what further action, if any, may be required.[206]

Moreover, not only did the FCC explicitly "leav[e] entirely open the possibility of further action," but it formed a committee of "representatives of various interested parties" to study the interconnection issue.[207] Under

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[206] American Tel. & Tel. Co. "Foreign Attachment" Tariff Revisions, 15 F.C.C.2d 605, 610 (1968) (emphasis added).

[207] *Litton*, 700 F.2d at 795. Prior to creation of the committee, the "Commission directed all segments of the telecommunications industry to engage in 'informal engineering and technical conferences' to ascertain what 'further changes are necessary, desirable, and technically feasible' in AT&T's tariff offerings." Id. (quoting American Tel. & Tel. Co. "Foreign Attachment" Tariff Revisions, 15 F.C.C.2d 605, 610 (1968)). It is also significant that even the dissenters from the Commission's decision permitting AT&T's tariffs to take effect recognized that "[n]o one will disagree with the importance of the issue presented by the insistence of AT&T and the other telephone companies that they must be the sole provider of all equipment which initiates signaling." 15 F.C.C.2d at 616. In addition, it is clear that Litton was never denied an oppor-

these circumstances, the court might well have ruled that, as a matter of law, there was a reasonable basis in law and fact for AT&T's actions.[208]

MCI and *Litton* illustrate the dangers of allowing juries to determine the predicate issue of baselessness. Whether there is a reasonable basis in law and fact for a suit or petition to an administrative agency acting in a quasi-judicial capacity is peculiarly a decision for the courts to make. For no person should be subjected to antitrust liability—nor be placed in fear of the future imposition of such liability—based on a lay jury's view, in hindsight, that a suit had no legal or factual basis. Just as on a motion to dismiss a complaint, it is solely within the court's province to determine whether a given set of facts fails to make out a claim under the applicable law.

e. *The Significance of the Defendants' Extrinsic Improper Conduct*—Another issue that frequently arises in post-*Noerr* litigations is the significance of the illegality or immorality of the antitrust defendant's conduct in prosecuting its claims or in opposing the plaintiff's application for a potentially anticompetitive ruling. Notwithstanding the Court's holding in *Noerr* that the impropriety of the defendants' acts did not elevate their petitioning to a matter of antitrust concern, several lower courts have intimated, based on Justice Douglas'

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tunity to present its views to the FCC. *Litton*, 700 F.2d at 798-99. In fact, it was successful in that the FCC ultimately rejected AT&T's position. Id. at 797-98, 809. One could, therefore, argue that its real complaint was not that the FCC failed to examine AT&T's proposals, but that it failed to act quickly enough in rejecting them. Such delay may be a valid indictment of the FCC, but it should not be grounds for penalizing AT&T for opposing Litton before that agency. See infra notes 220-25 and accompanying text.

[208] See, e.g., Jack Faucett Assocs., Inc. v. American Tel. & Tel. Co., 744 F.2d 118, 126-32 (D.C. Cir. 1984), cert. denied, 53 U.S.L.W. 3529 (U.S. Jan. 21, 1985) (No. 84-842); United States v. American Tel. & Tel. Co., 524 F. Supp. 1336, 1363 (D.D.C 1981).

dictum in *California Motor Transport*,[209] that conduct of this type may be an indication of sham.[210] Similarly, some courts have implied that deliberate misrepresentations may also be evidence of sham.[211] Where, however, misrepresentations are coupled with other acts that affect the integrity of the judicial or administrative process or deny the plaintiff effective access to the tribunal, the courts have generally stated or implied that such conduct might constitute sham.[212] In view of the obliqueness of many of the courts' statements and holdings, it is not altogether clear whether these courts would hold that the *Noerr* shelter is vitiated by such extrinsic misconduct even where there is a reasonable basis in law and fact for the filing of suit.

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[209] See supra notes 46-53 and accompanying text.

[210] See, e.g., Transkentucky Transp. R.R. v. Louisville & N.R.R., 581 F. Supp. 759, 769-70 (E.D. Ky. 1983); Ross v. Bremer, 1982-2 Trade Cas. (CCH) ¶ 64,746, at 71,618 (W.D. Wash. 1982); Sage Int'l, Ltd. v. Cadillac Gage Co., 507 F. Supp. 939, 946-48 (E.D. Mich. 1981).

[211] See, e.g., Clipper Exxpress v. Rocky Mt. Motor Tariff Bureau, Inc., 674 F.2d 1252, 1270-71 (9th Cir. 1982), cert. denied, 459 U.S. 1227 (1983); Israel v. Baxter Labs., Inc., 466 F.2d 272, 278-79 (D.C. Cir. 1972); General Aircraft Corp. v. Air Am., Inc., 482 F. Supp. 3, 7-8 (D.D.C. 1979); Outboard Marine Corp. v. Pezetel, 474 F. Supp. 168, 179-80 (D. Del. 1979).

[212] See, e.g., Omni Resource Dev. Corp. v. Conoco, Inc., 739 F.2d 1412, 1413-14 (9th Cir. 1984); Westborough Mall, Inc. v. City of Cape Girardeau, 693 F.2d 733, 745-46 (8th Cir. 1982), cert. denied, 461 U.S. 945 (1983); Federal Prescription Serv. v. American Pharmaceutical Ass'n, 663 F.2d 253, 262-63 (D.C. Cir. 1981), cert. denied, 455 U.S. 928 (1982); United States v. American Tel. & Tel. Co., 524 F. Supp. 1336, 1362-63 (D.D.C. 1981); WIXT Television v. Meredith Corp., 506 F. Supp. 1003, 1030-32 (N.D.N.Y. 1980); Oahu Gas Serv. v. Pacific Resources, Inc., 460 F. Supp. 1359, 1385 (D. Hawaii 1978); Rush-Hampton Indus. v. Home Ventilating Inst., 419 F. Supp. 19, 23-24 (M.D. Fla. 1976); Charlotte Telecasters, Inc. v. Jefferson-Pilot Corp., 1977-1 Trade Cas. (CCH) ¶ 61,304, at 70,994 (W.D.N.C. 1974), aff'd on other grounds, 546 F.2d 570 (4th Cir. 1976).

An early influential case that involved misrepresentations made to an administrative agency illustrates the pitfall of focusing on the propriety of the defendants' conduct. In *Woods Exploration & Producing Co. v. Aluminum Company of America*,[213] the Fifth Circuit held that natural gas producers' false filings ("nominations") of gas production forecasts with the Texas Railroad Commission would bring the sham exception into play because the Commission used them to set allowable limits on the plaintiff leaseholder's rate of gas production. The court stated that since the Commission "of necessity must rely on the truthfulness of the gas producers,"[214] and since the defendants in their nominations with the Commission were not seeking to influence the "policy making function" of the government,[215] *Noerr* provides no protection.

The Fifth Circuit's failure to comprehend the meaning of *Noerr* is nowhere better illustrated than by its statement that "[t]he policies of the Sherman Act should not be sacrificed simply because defendants employ governmental processes to accomplish anti-competitive purposes."[216] Yet that is precisely what *Noerr* held: Even though a business' "sole purpose" in seeking governmental relief is to "destroy" its competitors, Congress did not intend such conduct to constitute a restraint of trade within the meaning of the antitrust laws.[217] Indeed, the court of appeals recognized that the Commission had in fact exercised its authority and discretion in reviewing the defendants' nominations and in setting the final production limits:

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[213] 438 F.2d 1286 (5th Cir. 1971), cert. denied, 404 U.S. 1047 (1972).

[214] Id. at 1295.

[215] Id. at 1297; see id. at 1298-99.

[216] Id. at 1296.

[217] See supra notes 19, 26-27 and accompanying text.

> The nominations are totaled and, *if the Commission concludes that their total accurately reflects market demand*, the total becomes the field allowable. *If the Commission disagrees with the forecasts, it is empowered to consider other factors*, such as average production for the previous twelve months, or nominations filed by purchasers of gas.[218]

In other words, as the district court, whose decision the Fifth Circuit reversed, explained:

> [T]he Commission alone has the power and the duty to set allowables. The procedure followed by the Commission of requiring the producers to submit forecasts before the allowables are set is no more than a mere "administrative device." The figures submitted by the individual producers are not binding on the Commission, and it does not have to set allowables based on their mathematical total. Thus any injury which *any* producer claims to have suffered because of the allowable assigned to him is an injury directly inflicted by the Railroad Commission and not an injury inflicted by his fellow producers directly or through the exercise of any discretionary power conferred upon them by the State.[219]

Plainly, plaintiffs' remedy was to submit their views to the Commission and to appeal its decision to the Texas courts [220]—not to resort to a collateral attack under the antitrust laws. Since the Commission, not the defendants, set the rate of production, and since the Commission was free to use or not use, verify or not verify,

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[218] *Woods Exploration*, 438 F.2d at 1292 (emphasis added).

[219] *Woods Exploration*, 284 F. Supp. 582, 593 (S.D. Tex. 1968) (quoting Railroad Comm'n v. Woods Exploration & Producing Co., 405 S.W.2d 313, 319 (Tex. 1966)), rev'd, 438 F.2d 1286 (5th Cir. 1971), cert. denied, 404 U.S. 1047 (1972).

[220] Id. at 594-95. The plaintiffs had statutory and common law remedies against the defendants. See id. at 594 & nn.12-13.

defendants' nominations, it was the Commission, not the defendants, that was responsible for the production limitations that "injured" the plaintiffs.[221]

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[221] See Gas Light Co. v. Georgia Power Co., 440 F.2d 1135, 1140 (5th Cir. 1971), cert. denied, 404 U.S. 1062 (1972). The issue can also be viewed as one of proximate causation. One of the grounds for the Court's holding in *Pennington* was that since an injury the plaintiffs suffered was caused, not by the defendants, but by the Secretary of Labor in raising the minimum wage, the defendants could not be held liable. See supra note 21 and accompanying text. In this situation, the plaintiff's claims should fail as a matter of proximate causation. See, e.g., Hoover v. Ronwin, 104 S. Ct. 1989, 2011 n.23 (1984) (Stevens, J., dissenting); Mason City Center Assocs. v. City of Mason City, 671 F.2d 1146, 1149 (8th Cir. 1982); Heath v. Aspen Skiing Corp., 325 F. Supp. 223, 232 (D. Colo. 1971). Compare Omni Resource Dev. Corp. v. Conoco, Inc., 739 F.2d 1412, 1414 (9th Cir. 1984) (antitrust action dismissed since plaintiff's injury resulted from court's injunction arising out of a legitimate state suit), and Philips Business Sys. v. Executive Business Sys., 570 F. Supp. 1343, 1347-51 (E.D.N.Y. 1983) (a party that is wrongfully enjoined as a result of its opponent's good faith litigation may resort, for remedy, only to the security posted for the injunction), and Fiumara v. Texaco, Inc., 204 F. Supp. 544, 547 (E.D. Pa.) ("[i]njuries resulting from compliance with an injunction, even if improperly obtained, cannot support a recovery in a private antitrust suit"), aff'd per curiam, 310 F.2d 737 (3d Cir. 1962), cert. denied, 372 U.S. 976 (1963), with Commerce Tankers Corp. v. National Maritime Union, 553 F.2d 793, 798-802 (2d Cir. 1977) (one cannot be insulated from liability by the injunction bond rule for per se violations of the Sherman Act), cert. denied, 434 U.S. 923 (1977). Cf. Keogh v. Chicago & Nw. R.R., 260 U.S. 156 (1922) (illegal conspiracy to fix railroad rates does not give rise to a private action under the Sherman Act where the Interstate Commerce Commission has approved the rates as reasonable and nondiscriminatory); *In re* Wheat Rail Freight Rate Antitrust Litig., 579 F. Supp. 517, 529-38 (N.D. Ill. 1984) (Interstate Commerce Commission's initial approval of railroads' fixing of freight rates impliedly immunized railroads from antitrust liability although ICC decision was reversed on appeal). But compare Cantor v. Detroit Edison Co., 428 U.S. 579, 601-02 (1976) (plurality opinion) (state public service commission's approval of defendant's marketing practices, as part of its overall rate structure, does not exempt the practice from the federal antitrust laws),

In sum, at least where the antitrust plaintiffs have a meaningful opportunity to contest the deliberate misrepresentations or other improprieties of the defendants, the defendants should incur no liability under the anti-

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with id. at 622-26 (Stewart, J., dissenting) (act of compliance exempts proposal of rate structure from the Sherman Act), and Georgia v. Pennsylvania R.R., 324 U.S. 439, 452-63 (1945) (even though rates were approved by the Interstate Commerce Commission, if the state can show that defendants conspired to discriminate, it is entitled to an injunction prohibiting further discrimination), with id. at 486-90 (Stone, J., dissenting) (Interstate Commerce Commission has exclusive jurisdiction to determine the legality of rates, leaving the Supreme Court without power to enjoin the conduct complained of, although such conduct may violate the antitrust laws).

In any event, even, if contrary to *Pennington*, a plaintiff attempted to show that the defendant's acts in fact proximately caused its injury (i.e., but for the defendant's conduct, the plaintiff would not have been injured), it would likely have to take discovery of the government decision-makers in order to establish their motivation for acting as they did (i.e., to prove that, but for the defendant's conduct, they would not have acted as the defendant had petitioned them to act). The courts, however, have traditionally been loathe to allow inquiry into the motives of government officials. Fletcher v. Peck, 10 U.S. (6 Cranch) 87, 130-31 (1810); Tenney v. Brandhove, 341 U.S. 367, 377 (1951) (it is "unquestioned" that "it [is] not consonant with our scheme of government for a court to inquire into the motives of legislators"); see Eastland v. United States Servicemen's Fund, 421 U.S. 491, 502-03, 508-09 (1975) (Speech and Debate clause, U.S. Const. art. I, § 6, cl. 1, bars questioning of Congressmen's motives and acts); United States v. Nixon, 418 U.S. 683, 705-07 (1974) (executive privilege); Palmer v. Thompson, 403 U.S. 217, 224-26 (1971); United States v. O'Brien, 391 U.S. 367, 385 (1968); Thillens, Inc. v. Community Currency Exch. Ass'n, 729 F.2d 1128 (7th Cir.) (state legislators immune from antitrust suit based on their alleged acceptance of bribes), cert. dismissed, 105 S. Ct. 375 (1984); see also Hunt v. Mobil Oil Corp., 550 F.2d 68, 77 (2d Cir.) (act of state doctrine required dismissal of plaintiff's Sherman Act claim since its adjudication would have required an examination of the motivation of a foreign government, an inquiry which a federal court may not undertake), cert. denied, 434 U.S. 984 (1977).

trust laws.[222] Where the plaintiff has the opportunity to present its views in the proper tribunal, its avenue for relief should not be the antitrust laws. Rather, its remedy should be available procedures for review of government decisions on the merits pursuant to the narrow standards of the Administrative Procedure Act,[223] its state or local counterpart,[224] or the laws regulating criminal or unethical conduct.[225]

f. *The* Bill Johnson's Restaurants *Decision*—Ironically, it was not an antirust suit, but a recent case arising under the National Labor Relations Act,[226] in which the

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[222] As the Court explained in the first state action case, the argument that the antitrust laws are a bar to anticompetitive acts by state regulatory authorities "amount[s] simply to the contention, not that the [acts] are void for want of power, but that they are unwise." Olsen v. Smith, 195 U.S. 332, 345 (1904). And as the Court also recognized there, if the plaintiff believes these acts to be unwise, "the remedy is in Congress, in whom the ultimate authority on the subject is vested," not in the courts. Id.; see also Hoover v. Ronwin, 104 S. Ct. 1989, 1999 n.27 (1984) ("[e]ven if" the Supreme Court of Arizona "invariably" agreed with the recommendations of a committee charged with administering and grading bar exams, its decisions "would be action of the sovereign" and, therefore, under the state action doctrine, would not be within the ambit of the antitrust laws); cf. Immigration & Naturalization Serv. v. Chadha, 103 S. Ct. 2764, 2788 n.22 (1983) (article I of the Constitution "does *not* mean that legislation must always be preceded by debate"; all that is required is that there be "an *opportunity* for deliberation and debate") (emphasis added); United States v. Trenton Potteries Co., 273 U.S. 392, 398 (1972) (one of the reasons Justice Stone expressed for the Court's holding that the "reasonableness" of prices is no defense to a claim of price fixing was that a contrary conclusion would, in each case, require "a determination which can be satisfactorily made only after a complete survey of our economic organization and a choice between rival philosophies").

[223] 5 U.S.C. §§ 551-559 (1982).

[224] See supra notes 218-20 and accompanying text.

[225] See supra note 51.

[226] 29 U.S.C. §§ 151 et seq. (1982).

Supreme Court sought to define the limits of *Noerr* and its sham exception. Notwithstanding its clarifying analysis, Justice White's opinion in *Bill Johnson's Restaurants, Inc. v. NLRB*,[227] contains some inconsistent and troublesome radiations.

The management of a restaurant had filed a suit in state court alleging that terminated as well as the then employed waitresses had harassed customers and distributed a libelous leaflet. One of the defendants then filed a charge with the NLRB claiming, inter alia, that institution of the suit was an unfair labor practice. The Board's General Counsel thereafter issued a complaint.[228] After a hearing, the administrative law judge held that the employer's state court complaint lacked a reasonable basis and that the suit had been filed for a retaliatory purpose.[229] On appeal, the Board adopted the administrative law judge's opinion and issued a cease and desist order requiring management to withdraw its complaint and reimburse the defendants for all the legal expenses incurred in defending the suit.[230] The Ninth Circuit affirmed,[231] and the Supreme Court unanimously reversed.

Though recognizing the potentially chilling and coercive effect of a suit against employees,[232] the Court

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[227] 103 S. Ct. 2161 (1983).

[228] The General Counsel claimed that, in violation of 29 U.S.C. §§ 158(a)(1) and (4) (1982), "by filing and prosecuting the state suit, [management] was attempting to retaliate" against the waitresses for attempting to organize a union. 103 S. Ct. at 2166.

[229] Id.; see Bill Johnson's Restaurants, Inc. & Helton, 249 N.L.R.B. 155, 165 (1980).

[230] 103 S. Ct. at 2167; see Bill Johnson's Restaurants, Inc. & Helton, 249 N.L.R.B. at 169-70.

[231] 660 F.2d 1335 (9th Cir. 1981).

[232] The Court stated:

> A lawsuit no doubt may be used by an employer as a powerful instrument of coercion or retaliation. As the Board has ob-

held that Congress did not intend to authorize the NLRB to enjoin, as an unfair labor practice, a pending nonfrivolous state lawsuit.[233] Justice White explained:

> In *California Motor Transport* . . . we recognized that the right of access to the courts is an aspect of the First Amendment right to petition the Government for redress of grievances. Accordingly, we construed the antitrust laws as not prohibiting the filing of a lawsuit, regardless of the plaintiff's anticompetitive intent or purpose in doing so, unless the suit was a "mere sham" filed for harassment purposes. We should be sensitive to these First Amendment values in construing the NLRA in the present context. As the Board itself has recognized, "going to a judicial body for redress of alleged wrongs . . . stands apart from other forms of action directed at the alleged wrongdoer. The right of access to a court is too important to be called an unfair labor practice solely on the ground that what

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served, by suing an employee who files charges with the Board or engages in other protected activities, an employer can place its employees on notice that anyone who engages in such conduct is subjecting himself to the possibility of a burdensome lawsuit. Regardless of how unmeritorious the employer's suit is, the employee will most likely have to retain counsel and incur substantial legal expenses to defend against it. Furthermore, as the Court of Appeals in the present case noted, the chilling effect of a state lawsuit upon an employee's willingness to engage in protected activity is multiplied where the complaint seeks damages in addition to injunctive relief. Where, as here, such a suit is filed against hourly-wage waitresses or other individuals who lack the backing of a union, the need to allow the Board to intervene and provide a remedy is at its greatest.

103 S. Ct. at 2169 (citations omitted).

[233] Id. at 2170.

> is sought in court is to enjoin employees from exercising a protected right." [234]

The Court's precise holding, based upon this interpretation of *California Motor Transport*, could not have been clearer:

> [W]e hold that the Board may not halt the prosecution of a state-court lawsuit, *regardless of the plaintiff's motive*, unless the suit lacks a reasonable basis in fact or law. *Retaliatory motive and lack of reasonable basis are both essential prerequisites to the issuance of a cease-and-desist order against a state suit.*[235]

As the Court made clear throughout its opinion, the fact that a suit is not "plainly foreclosed as a matter of law or is otherwise frivolous" is an absolute defense to the enjoining of a pending suit as an unfair labor charge.[236] Thus, with respect to issues of fact, the Court "conclude[d] that if a state plaintiff is able to present the Board with evidence that shows his lawsuit raises genuine issues of material fact, the Board should proceed no further with the . . . unfair labor practice proceedings but should stay those proceedings until the state-court suit has been concluded." [237] By the same token, the Court held that "if there is any realistic chance that the plaintiff's legal theory might be adopted," the Board "should allow such issues to be decided by the state tribunals." [238]

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[234] Id. at 2169 (quoting Peddie Bldgs., 203 N.L.R.B. 265, 272 (1973), enforcement denied on other grounds sub nom. NLRB v. Visceglia, 498 F.2d 43 (3d Cir. 1974)).

[235] Id. at 2173 (emphasis added).

[236] Id. at 2172.

[237] Id. at 2171-72 (footnote omitted).

[238] Id. at 2172.

If the Court had stopped there, the decision would have been a useful adjunct to the *Noerr* line of cases and would have provided a workable standard for differentiating between the *Noerr* doctrine and its exception. The Court, however, also made vague references to the possibility that upon an unsuccessful conclusion of the litigation, the employer might incur liability:

> In instances where the Board must allow the lawsuit to proceed, if the employer's case in the state court ultimately proves meritorious and he has judgment against the employees, the employer should also prevail before the Board, for the filing of a meritorious law suit, even for a retaliatory motive, is not an unfair labor practice. *If judgment goes against the employer in the state court,* however, or if his suit is withdrawn or is otherwise shown to be without merit, the employer has had its day in court, the interest of the state in providing a forum for its citizens has been vindicated, and *the Board may then proceed to adjudicate the § (a)(l) and 8(a)(4) unfair labor practice case. The employer's suit having proved unmeritorious, the Board would be warranted in taking that fact into account in determining whether the suit had been filed in retaliation for the exercise of the employees' § 7 rights.*[239]

Similarly, in his summation of the Court's holding, Justice White stated:

> [I]f the Board is called upon to determine whether a suit is unlawful prior to the time that the state court renders final judgment, and if the state plaintiff can show that such genuine material factual or legal issues exist, the Board must await the results of the state-court adjudication with respect to the merits of the state suit. *If the state proceedings re-*

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[239] Id. (emphasis added).

> *sult in a judgment adverse to the plaintiff, the Board may then consider the matter further and, if it is found that the lawsuit was filed with retaliatory intent, the Board may find a violation and order appropriate relief.* In short, then, although it is an unfair labor practice to prosecute an unmeritorious lawsuit for a retaliatory purpose, the offense is not enjoinable unless the suit lacks a reasonable basis.[240]

Unless there is a reason peculiar to labor law that justifies the distinction between enjoining a pending suit and treating an unsuccessful suit after judgment is entered as an unfair labor practice,[241] it would eviscerate

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[240] Id. at 2173 (emphasis added). In his concurrence, with reference to this statement, Justice Brennan opined: "Reasonable people could differ over the wisdom of deciding that a nonfrivolous suit which is withdrawn, or in which the plaintiff ultimately does not prevail, constitutes an unfair labor practice, . . . but that is a question of labor policy for the Board to decide in the first instance." Id. at 2175 n.3 (Brennan, J., concurring).

[241] In his concurrence, Justice Brennan argued that because of the NLRB's "broad mandate to develop federal labor policy," it should be given considerable latitude to determine, as a question of labor policy, the correct balancing of the "delicate relationships between institutional policy and individual rights." Id. at 2175 & n.3. He went on to state that the Court's scope of review of the Board's decision is "limited" and that the "constitutional constraints" on the Board are "attenuated." Id. at 2176. Similarly, in the majority opinion, the Court stated that:

> [the NLRA has] broad, remedial provisions that guarantee that employees will be able to enjoy their rights . . .—including the right to unionize, the right to engage in concerted activity for mutual aid and protection, and the right to utilize the Board's processes—without fear or restraint, coercion, discrimination, or interference from their employer.

Id. at 2168. In other words, the intent of Congress, which *Noerr* found was lacking so far as antitrust is concerned, may have been present in the enactment of the NLRA. It could therefore be argued that more latitude should be afforded for suits against competitors than for suits against workers, and that this is the

the *Noerr* doctrine in the antitrust context to hold that the mere loss of a suit against a competitor strips the plaintiff of its *Noerr* immunity even though there was a reasonable basis in law and fact to bring the suit. In fact, other language in the Court's opinion indicates that it was not drawing such a distinction. Thus, the Court repeatedly described the issue before it as whether the prosecution of a baseless claim is an unfair labor practice.[242] Justice White subsequently pointed out that suits lacking a "reasonable basis" "are not within the scope of First Amendment protection" and that "baseless litigation is not immunized by the First Amendment right to petition."[243] The clear implication is that suits that do have a "reasonable basis" and are not "baseless" are constitutionally protected. As we have seen, it is implicit in Justice Black's opinion in *Noerr* that Congress, in enacting the Sherman Act, could not have intended to

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basis for differentiating between a pending and a completed lawsuit as was the case in *Bill Johnson's Restaurants*. Thus, a retaliatory purpose in labor law may be a sufficient basis for an NLRB order, whereas an anticompetitive intent is insufficient as a ground for imposing antitrust liability. We would not draw any distinction along these lines, but it is not irrational to do so having regard for the possible difference in Congress' intent in enacting these two statutes.

That considerations in a labor law context may be different than those in antitrust litigation can explain the Supreme Court's decision in Sure-Tan, Inc. v. NLRB, 104 S. Ct. 2803 (1984), decided one year after *Bill Johnson's Restaurants*. There, the Court held that the first amendment right to petition does not shield an employer from a finding by the NLRB that its informing the Immigration and Naturalization Service that certain of its employees were illegal aliens was an unfair labor practice, where its sole reason for doing so was that the employees were union members. Id. at 2811-12. At bottom, the Court may be holding that, at least in the labor area, there is no constitutional right to be an informer. We, however, do not construe *Sure-Tan* as jettisoning *Noerr*.

[242] *Bill Johnson's Restaurants*, 103 S. Ct. at 2168-70.

[243] Id. at 2170.

impose treble damage liabiilty as well as criminal sanctions on a businessman who sued a competitor and lost, merely because of his anticompetitive animus.[244]

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[244] In support of its statement in *Bill Johnson's Restaurants* that baseless suits are not protected by the first amendment—and, implicitly, that nonbaseless suits are protected—the Court quoted from a law review article in which the author equated sham litigation with "frivolous" and non-"bona fide" claims. 103 S. Ct. at 2170 (quoting Balmer, Sham Litigation and the Antitrust Laws, 29 Buffalo L. Rev. 39, 60 (1980) [hereinafter cited as Balmer]). Indeed, the author explicitly stated: "Not all unsuccessful litigation should be the basis for antitrust liability: only knowingly baseless suits are unprotected by the first amendment." Id. at 56. And in a recent Ninth Circuit case, which the Supreme Court cited as in "accord" with the views of that article's author, 103 S. Ct. at 2170 n.10, the court of appeals stated that "[a]ssuming" that in order for claims to be found to be sham, they must be found to be "baseless," the defendants' protests to the Interstate Commerce Commission were sham since they were "spurious, baseless, and prosecuted without regard to their merit." Clipper Exxpress v. Rocky Mt. Motor Tariff Bureau, Inc., 690 F.2d 1240, 1253, 1257 (9th Cir. 1982), cert. denied, 459 U.S. 1227 (1983). The second law review article that the Court cited impliedly took a position similar to that of the first author's. Fischel, Antitrust Liability for Attempts to Influence Government Action: The Basis and Limits of the *Noerr-Pennington Doctrine*, 45 U. Chi. L. Rev. 80, 101, 108 (1977) [hereinafter cited as Fischel]. The authors of both articles, however, also inconsistently intimated that a *non* baseless suit could be sham, provided that it was accompanied by acts extrinsic to the institution of the suit that abused the court's processes and were taken to achieve an anticompetitive end. Balmer, supra, at 66-70; Fischel, supra, at 95-96, 98-100, 106-07, 114, 122. In its brief, the NLRB took a similar position. Brief for NLRB at 34-35, *Bill Johnson's Restaurants*, 103 S. Ct. 2161 (1983). The Board, however, also indicated its approval of the court of appeals' language in the decision below that " 'an employer who brings a good faith action against employees . . . and produces evidence making his claim a colorable one, is not guilty of an unfair labor practice simply because he ultimately loses the lawsuit on the merits.' " Brief for NLRB in Opposition to Petition for Writ of Certiorari at 12 (quoting Bill Johnson's Restaurants v. NLRB, 600 F.2d 1335, 1342 (9th Cir. 1981)), Bill Johnson's Restaurants v. NLRB, 459 U.S. 942 (1982). Of all the briefs filed in

Nonantitrust decisional law interpreting the first amendment's guarantee of the right to petition also supports the conclusion that the Court in *Bill Johnson's Restaurants* did not intend to rewrite the law in this area. In the seminal case of *NAACP v. Button*,[245] and later in *In re Primus*,[246] the Court did not even remotely suggest that the constitutional protection of the right of individuals to challenge or solicit certain governmental conduct in court would evaporate if the suits were ultimately unsuccessful.[247] Nor would such a rule make any sense since the inevitable effect would be to discourage the exercise of the very right the Court purported to protect—the right of free access to the courts.

In our view, in addition to the classic situation where competitors hold joint meetings ostensibly to petition the government, but in reality use them as a cover for illegal conduct unrelated to their petitioning,[248] there are two in-

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the case, the only one which clearly separated the issue of baselessness from that of retaliatory motive was the amicus curiae brief of the AFL-CIO in support of the Board's position, in which it assumed that both elements were necessary for a finding of an unfair labor practice. Brief for the AFL-CIO as Amicus Curiae in Support of Respondent at 3, 14, 16 n.32, *Bill Johnson's Restaurants*, 103 S. Ct. 2161 (1983).

[245] 371 U.S. 415 (1963).

[246] 436 U.S. 412 (1978).

[247] Indeed, in *Button*, at least some of the litigations that the Court referred to as protected by the right to petition were partially unsuccessful. See the following cases cited in *Button*, 371 U.S. at 435 n.16: Dodson v. School Bd., 289 F.2d 439 (4th Cir. 1961); Hill v. School Bd., 282 F.2d 473 (4th Cir. 1960); Jones v. School Bd., 278 F.2d 72 (4th Cir. 1960); Blackwell v. Fairfax County School Bd., 5 Race Rel. L. Rep. 1056 (E.D. Va. 1960); Warden v. Richmond School Bd., 3 Race Rel. L. Rep. 971 (E.D. Va. 1958); Adkinson v. School Bd., 3 Race Rel. L. Rep. 938 (E.D. Va. 1958).

[248] See, e.g., Virginia Academy of Clinical Psychologists v. Blue Shield, 624 F.2d 476, 482 (4th Cir. 1980), cert. denied, 450 U.S. 916 (1981); Jones Knitting Corp. v. Morgan, 361 F.2d 451, 459

terrelated elements of the sham exception that, although defying precise definition, can provide a workable set of rules capable of certain and consistent application. First, in order for a suit to be found baseless, it should have to meet the standard of *Bill Johnson's Restaurants* —that is, that "the plaintiff's position is plainly foreclosed as a matter of law or is otherwise frivolous."[249] Second, in view of the overriding importance of the right to petition and other first amendment freedoms,[250] a party relying on the sham exception should have to prove that the defendant instituted the allegedly sham suit knowing it to be without any basis in law and fact.[251] It is not enough that there may have been an anticompetitive motive in bringing the suit.

The suggestion by the Justice Department and certain commentators that the sham exception be coterminous with the tort of abuse of process is objectionable for an entirely different reason. To be sure, the common law tort requires not merely knowledge that the suit is without reasonable basis in law and fact, but that the process

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(3d Cir. 1966); *In re* New Mexico Natural Gas Antitrust Litig., 1982-1 Trade Cas. (CCH) ¶ 64,685, at 73,719-20 (D.N.M.); Venture Technology, Inc. v. National Fuel Gas Co., 1980-81 Trade Cas. (CCH) ¶ 63,780, at 78,147 (W.D.N.Y. 1981), rev'd on other grounds, 685 F.2d 41 (2d Cir.), cert. denied, 459 U.S. 1007 (1982); United States v. American Natural Gas Co., 206 F. Supp. 908, 912 (N.D. Ill. 1962); see supra notes 33-34 and accompanying text.

[249] *Bill Johnson's Restaurants*, 103 S. Ct. at 2172; see supra notes 232-38 and accompanying text.

[250] See NAACP v. Claiborne Hardware Co., 458 U.S. 886, 911 (1982) ("The established elements of speech, assembly, association, and petition, 'though not identical, are inseparable.'" (quoting Thomas v. Collins, 323 U.S. 516, 530 (1945)).

[251] Some commentators have suggested, analogous to New York Times Co. v. Sullivan, 376 U.S. 254 (1964), that recklessness, as well as knowledge, should suffice for a showing of sham. See, e.g., Balmer, supra note 244, at 60, 70.

was abused by resort to some extrinsic wrongdoing.[252] However, the common law grounds for liability are wholly unrelated to the concerns of antitrust. There are more than sufficient mechanisms to punish competitors for abusing court processes and to compensate, under the tort of the same name, those injured by such abuse.[253] Antitrust is much too cumbersome an instrument to be converted into the federal counterpart of the common law tort principles of the several states. In a nutshell, the evil against which antitrust is aimed is unjustifiable private anticompetitive conduct, not the abuse of the judicial and administrative processes. By making the sham exception coterminous with the tort of abuse of process, the focus of the *Noerr* doctrine is distorted and the emphasiss transferred from a defensive shelter to the exception as an independent basis of liability.

g. *The Significance of the Defendants' Delaying Actions*—A final troublesome matter that arises with some frequency is whether taking advantage of the delay that normally accompanies the institution or defense of judicial or quasi-judicial actions warrants a finding of sham.[254] Central to any analysis of the significance of delay in evaluating a *Noerr* defense is the recognition that delay, unfortunately, is inherent in the judicial and administrative process. The current litigation explosion places an increasingly intolerable burden on the nation's courts. Since delay is inevitable, should the antitrust defendant be punished for something beyond his control? Should it make any difference if he knew that, as a consequence of

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[252] See supra notes 178-82 and accompanying text.

[253] See supra note 51.

[254] For cases dealing with this issue, see, e.g., Litton Sys. v. American Tel. & Tel. Co., 700 F.2d 785, 810-12 (2d Cir. 1983), cert. denied, 104 S. Ct. 984 (1984); Miracle Mile Assocs. v. City of Rochester, 617 F.2d 18, 21 (2d Cir. 1980); City of Newark v. Delmarva Power & Light Co., 497 F. Supp. 323, 327 (D. Del. 1980); see also R. Bork, The Antitrust Paradox 348 (1978).

the normal workings of the litigation process, bringing or opposing a suit would result in delay? Should not the decisive factor be whether the suit or defense had a reasonable basis in law and fact? After all, an alert judge can always frustrate a litigant's delaying tactics by scheduling an early trial. To say that delay by itself may not constitute sham, is not, however, to say that an intent to delay may not be taken into account in determining whether the suit or defense is genuine and whether the defendant had a reasonable expectation of success.

IV. Conclusion

The fundamental issue in every federal statutory cause of action—including antitrust suits—is whether Congress intended at the time of enactment of the statute to prohibit the conduct alleged in the complaint.[255] Yet this is the very question some courts ignore in addressing claims of sham petitioning. Instead of focusing on this predicate issue or examining whether the defendant's suit or defense had a reasonable basis in law and fact, these courts look to whether the defendant's acts are independently protected by the first amendment, whether they are illegal, unethical or are motivated by an improper motive, whether the requested government action is procompetitive or whether, in the court's view, it otherwise represents sound economic policy. By returning to Justice Black's analysis in *Noerr* and grounding the doctrine on Congress' intent not to apply the antitrust laws to genuine efforts to influence government action—regardless of any anticompetitive animus behind such efforts—we can infuse the spirit and tradition of the first amendment into the antitrust laws without unnecessarily elevating antitrust issues into constitutional ones. This *Parker v.*

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[255] See, e.g., BankAmerica Corp. v. United States, 462 U.S. 122 (1983); Andrus v. Charlestone Stone Prods. Co., 436 U.S. 604, 611 & n.8 (1978); Winona & St. P.R.R. v. Barney, 113 U.S. 618, 625 (1885).

Brown [256] approach would also provide a warm and hospitable reading to the sham exception, while limiting it to its dictionary meaning of "marked by falseness" and "not genuine." [257]

It is now a generation since the Court decided *Noerr*. If the *Noerr* doctrine is to continue to have vitality, the sham exception must be narrowly applied and limited, at a minimum, to the dual standard of baselessness as articulated in *Bill Johnson's Restaurants*: only an attempt to petition the government that is plainly foreclosed as a matter of law or is otherwise frivolous, and which the petitioner instigated knowing that it lacked any factual or legal basis, should subject the defendant to antitrust liability. If, on the other hand, as some government officials and commentators imply, *Noerr* was wrongly decided,[258] then the *Noerr* doctrine should be expressly discarded rather than its exception stretched to encompass conduct that is not sham within the original *Noerr* conception.

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[256] 317 U.S. 341 (1943).

[257] Webster's Third New International Dictionary 2086 (P. Gove ed. 1971).

[258] With reference to the state action and *Noerr* doctrines, Thomas J. Campbell, Director of the Federal Trade Commission's Bureau of Competition for the first two years of the Reagan Administration, stated that "[o]ur attitude is to overcome these exemptions." Ford Signs Consent Order with FTC; GM Chooses to Litigate Similar Case, 42 Antitrust & Trade Reg. Rep. (BNA) No. 1053, at 440 (Feb. 25, 1982); see also Interview with FTC Chairman James C. Miller III, 45 Antitrust & Trade Reg. Rep. (BNA) 334, 339 (Sept. 1, 1983) ("[r]estraints on competition are particularly insidious when they are mandated and orchestrated by government"). For additional views arguing for limits on *Noerr's* protections, see R. Bork, supra note 254, at 347 n.64; McMahon, Recent Significant Developments in "State Action" and *Noerr-Pennington* Exemptions: From *Boulder* to the "Sham" Exception, 14 U. Tol. L. Rev. 531, 532-33, 553-56 (1983); Note, supra note 180, at 732-35 (1973).

We submit that the *Noerr* principle is a salutary one and should be retained in its pristine form. As the Supreme Court recently reminded us, our form of government is predicated on the pluralistic belief that the people will act according to their own self-interest and that "the summation of these individual pursuits will further the collective welfare." [259] In this day of interest-group politics, it is essential that the right to petition to the legislative, executive, administrative, and judicial arms of the government be zealously safeguarded.

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[259] Brown v. Hartlage, 456 U.S. 45, 56 (1982); see The Federalist No. 10 (J. Madison).

APPENDIX A

Cases in Which Claims Founded on Petitioning of Legislative and Executive Bodies Were Asserted

FIRST CIRCUIT: *Bass v. Boston Five Cent Savings Bank*, 478 F. Supp. 741 (D. Mass. 1979) (lobbying not evidence of conspiracy; summary judgment for defendants). SECOND CIRCUIT: *Arzt v. Blue Cross & Blue Shield of Greater N.Y.*, No. 78 Civ. 5723 (S.D.N.Y. Nov. 3, 1982) (implying lobbying is admissible evidence); *A.B.T. Sightseeing Tours, Inc. v. Gray Line N.Y. Tours, Corp.*, 242 F. Supp. 365 (S.D.N.Y. 1965) (allegations in complaint stricken); see *Goggi Corp. v. Outboard Marine Corp.*, 422 F. Supp. 361 (S.D.N.Y. 1976) (contacts with legislators basis for finding in personam jurisdiction under state long arm statute). THIRD CIRCUIT: *United States v. Shober*, 489 F. Supp. 393 (E.D. Pa. 1979) (dismissal of indictment for bribery denied); *Outboard Marine Corp. v. Pezetel*, 474 F. Supp. 168 (D. Del. 1979) (counterclaim dismissed); *Schenley Industries, Inc. v. New Jersey Wine & Spirit Wholesalers Association*, 272 F. Supp. 872 (D.N.J. 1967) (complaint partially dismissed). FOURTH CIRCUIT: *Sims v. Tinney*, 482 F. Supp. 794 (D.S.C. 1977) (complaint dismissed), aff'd mem., 615 F.2d 1358 (4th Cir. 1979). FIFTH CIRCUIT: *Schwegmann Brothers Giant Super Markets v. Almaden Vineyards, Inc.*, 1980-1 Trade Cas. (CCH) ¶ 63,156 (E.D. La.) (summary judgment for defendant). SIXTH CIRCUIT: *Gambrel v. Kentucky Board of Dentistry*, 689 F.2d 612 (6th Cir. 1982) (summary judgment for defendants affirmed), cert. denied, 459 U.S. 1208 (1983). SEVENTH CIRCUIT: *Wilk v. American Medical Association*, 719 F.2d 207 (7th Cir.) (posttrial judgment for defendants reversed on other grounds), reaffirmed without opinion, 723 F.2d 66 (7th Cir. 1983), cert. denied, 104 S.Ct. 2398 (1984); *Weit v. Continental Illinois National Bank & Trust Co.*, 641 F.2d 457 (7th Cir. 1981) (evidence of lobbying inadmissible; summary

judgment for defendants affirmed on other grounds), cert. denied, 455 U.S. 988 (1982). EIGHTH CIRCUIT: *First American Title Co. v. South Dakota Land Title Association*, 714 F.2d 1439 (8th Cir. 1983) (posttrial judgment for defendant affirmed), cert. denied, 104 S.Ct. 709 (1984); *First National Bank v. Marquette National Bank*, 482 F. Supp. 514 (D. Minn. 1979) (summary judgment for defendant), aff'd, 636 F.2d 195 (8th Cir.), cert. denied, 450 U.S. 1042 (1980). NINTH CIRCUIT: *Subscription Television, Inc. v. Southern California Theatre Owners Association*, 576 F.2d 230 (9th Cir. 1978) (campaigning in support of voter initiative; directed verdict for defendant affirmed); *Rodgers v. FTC*, 492 F.2d 228 (9th Cir.) (per curiam) (campaigning against voter initiative; dismissal of complaint affirmed), cert. denied, 419 U.S. 834 (1974); *Hays v. United Fireworks Manufacturing Co.*, 420 F.2d 836 (9th Cir. 1969) (evidence of a contract requiring purchaser to engage in lobbying inadmissible despite inadequate objection by defendants; posttrial judgment for plaintiff affirmed); *Harman v. Valley National Bank*, 339 F.2d 564 (9th Cir. 1964) (dismissal of complaint reversed; plaintiff allowed to amend complaint). TENTH CIRCUIT: *Semke v. Enid Automobile Dealers Association*, 456 F.2d 1361 (10th Cir. 1972) (posttrial judgment for defendants reversed). DISTRICT OF COLUMBIA CIRCUIT: *Association of Western Railways v. Riss & Co.*, 299 F.2d 133 (D.C. Cir.) (posttrial judgment for plaintiffs reversed), cert. denied, 370 U.S. 916 (1962); *Caribe Trailer Systems, Inc. v. Puerto Rico Maritime Shipping Authority*, 475 F. Supp. 711 (D.D.C. 1979) (summary judgment for defendant), cert. denied, 450 U.S. 914 (1981).

APPENDIX B

CASES IN WHICH CLAIMS FOUNDED ON PETITIONING OF ADMINISTRATIVE AGENCIES WERE ASSERTED

FIRST CIRCUIT: *George R. Whitten, Jr., Inc. v. Paddock Pool Builders, Inc.*, 424 F.2d 25 (1st Cir.) (summary judgment for defendant vacated), cert. denied, 400 U.S. 850 (1970). SECOND CIRCUIT: *Litton Systems, Inc. v. American Telephone & Telegraph Co.*, 700 F.2d 785 (2d Cir. 1983) (posttrial judgment for plaintiff affirmed), cert. denied, 104 S. Ct. 984 (1984); *Landmarks Holding Corp. v. Bermant*, 664 F.2d 891 (2d Cir. 1981) (summary judgment for defendants reversed); *Miracle Mile Associates v. City of Rochester*, 617 F.2d 18 (2d Cir. 1980) (summary judgment for defendant affirmed); *Interstate Properties v. Pyramid Co.*, 586 F. Supp. 1160 (S.D.N.Y. 1984) (counterclaims dismissed); *Bulkferts, Inc. v. Salatin Inc.*, 574 F. Supp. 6 (S.D.N.Y. 1983) (summary judgment for defendant denied); *BusTop Shelters, Inc. v. Convenience & Safety Corp.*, 521 F. Supp. 989 (S.D.N.Y. 1981) (complaint dismissed); *Venture Technology, Inc. v. National Fuel Gas Co.*, 1980-81 Trade Cas. (CCH) ¶ 63,780 (W.D.N.Y. 1981) (posttrial judgment for plaintiff), rev'd on other grounds, 685 F.2d 41 (2d Cir.), cert. denied, 459 U.S. 1007 (1982); *WIXT Television v. Meredith Corp.*, 506 F. Supp. 1003 (N.D.N.Y. 1980) (summary judgment for defendants); *Town of Massena v. Niagara Mohawk Power Corp.*, 1980-2 Trade Cas. (CCH) ¶ 63,526 (N.D. N.Y.) (posttrial judgment for defendant); *Reaemco, Inc. v. Allegheny Airlines*, 496 F. Supp. 546 (S.D.N.Y. 1980) (complaint dismissed); *Dominicus Americana Bohio v. Gulf & Western Industries, Inc.*, 473 F. Supp. 680 (S.D.N.Y. 1979) (dismissal of complaint denied); *Wilmorite, Inc. v. Eagan Real Estate, Inc.*, 454 F. Supp. 1124 (N.D.N.Y. 1977) (complaint dismissed), aff'd with-

out opinion, 578 F.2d 1372 (2d Cir.), cert. denied, 439 U.S. 983 (1978); *B.A.M. Liquors, Inc. v. Satenstein*, 1976-2 Trade Cas. (CCH) ¶ 60,997 (S.D.N.Y. 1976) (posttrial judgment for plaintiff); *Hunt v. Mobil Oil Corp.*, 410 F. Supp. 10 (S.D.N.Y. 1975) (dismissal of complaint denied on *Noerr* grounds but granted under Act of State doctrine), aff'd on other grounds, 550 F.2d 68 (2d Cir. 1976), cert. denied, 434 U.S. 984 (1977); *A.B.T. Sightseeing Tours, Inc. v. Gray Line New York Tours, Corp.*, 242 F. Supp. 365 (S.D.N.Y. 1965) (allegations stricken); see *Ashley Meadows Farm, Inc. v. American Horse Shows Association, Inc.*, 1983-2 Trade Cas. (CCH) ¶ 65,653 (S.D.N.Y.) (dismissal of complaint denied). THIRD CIRCUIT: *Duke & Co. v. Foerster*, 521 F.2d 1277 (3d Cir. 1975) (summary judgment for defendant reversed); *Horsemen's Benevolent & Protective Association, Inc. v. Pennsylvania Horse Racing Commission*, 530 F. Supp. 1098 (E.D. Pa.) (complaint dismissed), aff'd without opinion, 688 F.2d 821 (3d Cir. 1982); *Borough of Lansdale v. Philadelphia Electric Co.*, 517 F. Supp. 218 (E.D. Pa. 1981) (summary judgment for defendant denied); *City of Newark v. Delmarva Power & Light Co.*, 497 F. Supp. 323 (D. Del. 1980) (counterclaim dismissed); *Crown Central Petroleum Corp. v. Waldman*, 486 F. Supp. 759 (M.D. Pa.) (complaint dismissed), rev'd on other grounds, 634 F.2d 127 (3d Cir. 1980); *Outboard Marine Corp. v. Pezetel*, 474 F. Supp. 168 (D. Del. 1979) (motion to dismiss *Noerr* counterclaim denied); *Miller & Son Paving, Inc. v. Wrightstown Township Civic Association*, 443 F. Supp. 1268 (E.D. Pa. 1978) (complaint dismissed), aff'd without opinion, 595 F.2d 1213 (3d Cir.), cert. denied, 444 U.S. 843 (1979); *Central States Forwarding Corp. v. B & P Motor Express, Inc.*, 1977-1 Trade Cas. (CCH) ¶ 61,461 (W.D. Pa.) (defendant's motion for summary judgment denied); *Schenley Industries, Inc. v. New Jersey Wine & Spirit Wholesalers Association*, 272 F. Supp. 872 (D.N.J. 1967) (allegations in complaint stricken); *United States v. Johns-Manville Corp.*, 1964 Trade Cas. (CCH) ¶ 71,092

(E.D. Pa.) (evidence ruled inadmissible). FOURTH CIRCUIT: *Hospital Building Co. v. Trustees of the Rex Hospital*, 691 F.2d 678 (4th Cir. 1982) (posttrial judgment for plaintiff reversed and remanded), cert. denied, 104 S. Ct. 259 (1983); *Pinehurst Airlines, Inc. v. Resort Air Services, Inc.*, 476 F. Supp. 543 (M.D.N.C. 1979) (dismissal of complaint denied); *Sims v. Tinney*, 482 F. Supp. 794 (D.S.C. 1977) (complaint dismissed), aff'd without opinion, 615 F.2d 1358 (4th Cir. 1979); *Charlotte Telecasters, Inc. v. Jefferson-Pilot Corp.*, 1977-1 Trade Cas. (CCH) ¶ 61,304 (W.D.N.C. 1974) (summary judgment for defendant), aff'd on other grounds, 546 F.2d 570 (4th Cir. 1976). FIFTH AND ELEVENTH CIRCUITS: *United States v. Southern Motor Carriers Rate Conference*, 672 F.2d 469 (5th Cir. 1982) (summary judgment for plaintiff), aff'd on rehearing, 702 F.2d 532 (5th Cir. 1983) (en banc), cert. granted, 104 S. Ct. 3508 (1984); *Industrial Investment Development Corp. v. Mitsui & Co.*, 671 F.2d 876 (5th Cir.) (summary judgment for defendants reversed), vacated and remanded on other grounds, 460 U.S. 1007 (1982), aff'd on rehearing, 704 F.2d 785 (5th Cir.) (per curiam), cert. denied, 104 S. Ct. 393 (1983); *Mid-Texas Communications Systems, Inc. v. American Telephone & Telegraph Co.*, 615 F.2d 1372 (5th Cir.) (posttrial judgment for plaintiff reversed), cert. denied, 449 U.S. 912 (1980); *Feminist Women's Health Center, Inc. v. Mohammad*, 586 F.2d 530 (5th Cir. 1978) (partial summary judgment for defendant affirmed), cert. denied, 444 U.S. 924 (1979); *International Telephone & Telegraph Co. v. United Telephone Co.*, 550 F.2d 287 (5th Cir. 1977) (per curiam) (posttrial judgment for defendant); *Household Goods Carriers' Bureau v. Terrell*, 452 F.2d 152 (5th Cir. 1971) (evidence of petitioning admissible; posttrial judgment for plaintiff on liability affirmed); *Woods Exploration & Producing Co. v. Aluminum Co. of America*, 438 F.2d 1286 (5th Cir. 1971) (judgment n.o.v. for defendant reversed and remanded), cert. denied, 404 U.S.

1047 (1972); *Vest v. Waring*, 565 F. Supp. 674 (N.D. Ga. 1983) (summary judgment for some defendants denied); *Hill Aircraft & Leasing Corp. v. Fulton County*, 561 F. Supp. 667 (N.D. Ga. 1982) (summary judgment for defendant denied on *Noerr* grounds but granted on other grounds), aff'd without opinion, 729 F.2d 1467 (11th Cir. 1984); *City of Atlanta v. Ashland-Warren, Inc.*, 1982-1 Trade Cas. (CCH) ¶ 64,527 (N.D. Ga. 1981) (dismissal of cross-claim denied); *Affiliated Capital Corp. v. City of Houston*, 519 F. Supp. 991 (S.D. Tex. 1981) (judgment n.o.v. for defendants), aff'd in relevant part, rev'd on other grounds, 735 F.2d 1555 (5th Cir. 1984) (en banc), petition for cert. filed, 53 U.S.L.W. 3509 (U.S. Dec. 14, 1984) (No. 84-951); *Schwegmann Brothers Giant Super Markets v. Almaden Vineyards, Inc.*, 1980-1 Trade Cas. (CCH) ¶ 63,156 (E.D. La.) (summary judgment for defendant); *City of Gainseville v. Florida Power & Light Co.*, 488 F.Supp. 1258 (S.D. Fla. 1980) (counterclaim dismissed); *West Texas Utilities Co. v. Texas Electric Service Co.*, 470 F. Supp. 798 (N.D. Tex. 1979) (posttrial judgment for defendant); *Rush-Hampton Industries, Inc. v. Home Ventilating Institute*, 419 F. Supp. 19 (M.D. Fla. 1976) (summary judgment for defendant); *Foret v. Point Landing, Inc.*, 1976-2 Trade Cas. (CCH) ¶ 61,106 (E.D. La.) (complaint dismissed); *Marketing Assistance Plan, Inc. v. Associated Milk Producers, Inc.*, 338 F. Supp. 1019 (S.D. Tex. 1972) (summary judgment for defendant denied). SIXTH CIRCUIT: *Capitol International Airways v. Butler International, Inc.*, No. 81-1004 (6th Cir. June 1, 1982) (not for publication) (dismissal of complaint affirmed); *Transkentucky Transportation Railroad v. Louisville & Nashville Railroad Co.*, 581 F. Supp. 759 (E.D. Ky. 1983) (dismissal of complaint denied); *United States v. Central State Bank*, 564 F. Supp. 1478 (W.D. Mich. 1983) (dismissal of complaint denied); *Cincinnati Riverfront Coliseum, Inc. v. City of Cincinnati*, 556 F. Supp. 664 (S.D. Ohio 1983) (summary judgment for plaintiff); *Hopkins-*

ville Cable TV, Inc, v. Pennyroyal Cablevision, Inc., 562 F. Supp. 543 (W.D. Ky. 1982) (summary judgment for defendant); *Huron Valley Hospital, Inc. v. City of Pontiac*, 466 F. Supp. 1301 (E.D. Mich. 1979) (summary judgment for defendant), vacated and remanded, 666 F.2d 1029 (6th Cir. 1981) (stay ordered until completion of state administrative and judicial proceedings); *Eliason Corp. v. National Sanitation Foundation*, 485 F. Supp. 1062 (E.D. Mich. 1977) (posttrial judgment for defendant), aff'd on other grounds, 614 F.2d 126 (6th Cir.), cert. denied, 449 U.S. 826 (1980). SEVENTH CIRCUIT: *Wilk v. American Medical Association*, 719 F.2d 207 (7th Cir.) (posttrial judgment for defendants reversed), aff'd mem., 723 F.2d 66 (7th Cir. 1983), cert. denied, 104 S. Ct. 2398 & 2399 (1984); *MCI Communications Corp. v. American Telephone & Telegraph Co.*, 708 F.2d 1081 (7th Cir.) (posttrial judgment for plaintiff affirmed), cert. denied, 104 S. Ct. 234 (1983); *City of Mishawaka v. American Electric Power Co.*, 616 F.2d 976 (7th Cir. 1980) (posttrial judgment for plaintiff affirmed on *Noerr* grounds), cert. denied, 449 U.S. 1096 (1981); *Kurek v. Pleasure Driveway & Park District*, 557 F.2d 580 (7th Cir. 1977) (dismissal of complaint reversed), vacated and remanded on other grounds, 435 U.S. 992, opinion reinstated per curiam, 583 F.2d 378 (7th Cir. 1978), cert. denied, 439 U.S. 1090 (1979); *Bob Layne Contractor, Inc. v. Bartel*, 504 F.2d 1293 (7th Cir. 1974) (summary judgment for defendant affirmed); *Richard Hoffman Corp. v. Integrated Buildings Systems, Inc.*, 581 F. Supp. 367 (N.D. Ill 1984) (dismissal of complaint on *Noerr* grounds denied); *In re Wheat Rail Freight Rate Antitrust Litigation*, 579 F. Supp. 517 (N.D. Ill. 1984) (*Noerr* affirmative defense stricken); *Unity Ventures v. County of Lake*, 1984-1 Trade Cas. (CCH) ¶ 65,883 (N.D. Ill. 1983) (dismissal of complaint denied); *Campbell v. City of Chicago*, 577 F. Supp. 1166 (N.D. Ill. 1983) (dismissal of complaint denied); *Wheeling-Pittsburgh Steel Corp. v. Allied Tube & Con-*

duit Corp., 573 F. Supp. 833 (N.D. Ill. 1983) (summary judgment for counterclaim-defendant); *United States Dental Institute v. American Association of Orthodontists*, 396 F. Supp. 565 (N.D. Ill. 1975) (motion to strike allegations in complaint denied); *Metro Cable Co. v. CATV of Rockford, Inc.*, 375 F. Supp. 350 (N.D. Ill. 1974) (complaint dismissed), aff'd, 516 F.2d 220 (7th Cir. 1975); *United States v. American Natural Gas Co.*, 206 F. Supp. 908 (N.D. Ill. 1962) (dismissal of indictment denied). EIGHTH CIRCUIT: *Alexander v. National Farmers Organization*, 687 F.2d 1173 (8th Cir. 1982) (evidence of lobbying admissible; posttrial judgment for defendant affirmed), cert. denied, 103 S. Ct. 2108 (1983); *City of Kirkwood v. Union Electric Co.*, 671 F.2d 1173 (8th Cir. 1982) (summary judgment for defendant reversed), cert. denied, 459 U.S. 1170 (1983); *Westborough Mall, Inc. v. City of Cape Girardeau*, 693 F.2d 733 (8th Cir. 1982) (summary judgment for defendant reversed), cert. denied, 461 U.S. 945 (1983); *Mark Aero, Inc. v. Trans World Airlines*, 580 F.2d 288 (8th Cir. 1978) (dismissal of complaint reversed); *Central Savings & Loan Association v. Federal Home Loan Bank Board*, 422 F.2d 504 (8th Cir. 1970) (summary judgment for defendant affirmed); *Gold Cross Ambulance v. City of Kansas City*, 538 F. Supp. 956 (W.D. Mo. 1982) (summary judgment for defendants denied), aff'd on other grounds, 705 F.2d 1005 (8th Cir. 1983); *Mason City Center Associates v. City of Mason City, Iowa*, 468 F. Supp. 737 (N.D. Iowa 1979) (dismissal of complaint denied; posttrial judgment for defendant on other grounds), aff'd in part, rev'd in part, 671 F.2d 1146 (8th Cir. 1982); *George Benz & Sons v. Twin City Milk Producers Association, Inc.*, 299 F. Supp. 679 (D. Minn. 1969) (summary judgment for defendants). NINTH CIRCUIT: *Phoenix Baptist Hospital & Medical Center v. Samaritan Health Services*, No. 81-5848 (summary judgment for defendants), summarily reported at 688 F.2d 847 (9th Cir. Aug. 25, 1982), cert. denied, 103

S. Ct. 3096 (1983); *In re Airport Car Rental Antitrust Litigation*, 693 F.2d 84 (9th Cir. 1982) (summary judgment for defendants affirmed), cert. denied, 103 S. Ct. 3114 (1983); *Clipper Exxpress v. Rocky Mountain Motor Tariff Bureau, Inc.*, 674 F.2d 1252 (9th Cir. 1982) (summary judgment for defendant reversed), cert. denied, 459 U.S. 1227 (1983); *Franchise Realty Interstate Corp. v. San Francisco Local Joint Executive Board of Culinary Workers*, 542 F.2d 1076 (9th Cir. 1976) (dismissal of complaint affirmed), cert. denied, 430 U.S. 940 (1977); *Sacramento Coca-Cola Bottling Co. v. Chauffeurs, Teamsters & Helpers Local 150*, 440 F.2d 1096 (9th Cir.) (dismissal of complaint reversed), cert. denied, 404 U.S. 826 (1971); *Sun Valley Disposal Co. v. Silver State Disposal Co.*, 420 F.2d 341 (9th Cir. 1969) (summary judgment for defendant affirmed on other grounds); *Harman v. Valley National Bank*, 339 F.2d 564 (9th Cir. 1964) (dismissal of complaint reversed); *Lockary v. Kafetz*, 587 F. Supp. 631 (N.D. Cal. 1984) (complaint dismissed); *Llewellyn v. Crothers*, 1983-1 Trade Cas. (CCH) ¶ 65,358 (D. Or.) (summary judgment for defendants); *United States v. Title Insurance Rating Bureau of Arizona, Inc.*, 517 F. Supp. 1053 (D. Ariz. 1981) (summary judgment for plaintiff), aff'd on other grounds, 700 F.2d 1247 (9th Cir. 1983), cert. denied, 104 S. Ct. 3509 (1984); *United States v. Motor Vehicle Manufacturers Association*, 1979-1 Trade Cas. (CCH) ¶ 62,557 (C.D. Cal.) (modification to consent decree), rev'd on other grounds upon reconsideration, 1979-2 Trade Cas. (CCH) ¶ 62,759 (C.D. Cal.), rev'd and remanded on other grounds, 643 F.2d 644 (9th Cir. 1981), decision upon reconsideration aff'd, 1982-83 Trade Cas. (CCH) ¶ 65,175 (C.D. Cal. 1982); *Oahu Gas Service, Inc. v. Pacific Resources, Inc.*, 460 F. Supp. 1359 (D. Hawaii 1978) (summary judgment for defendant denied); *Dollar Rent A Car System, Inc. v. Hertz Corp.*, 434 F. Supp. 513 (N.D. Cal. 1977) (dismissal of complaint denied); *BBD Transportation Co. v. United States*

Steel Corp., 1976-2 Trade Cas. (CCH) ¶ 61,079 (N.D. Cal.) (summary judgment for defendant denied); *Beltz Travel Service, Inc. v. International Air Transport Association*, 1974-2 Trade Cas. ¶ 75,223 (N.D. Cal.) (summary judgment for defendant), rev'd on other grounds sub nom. *Beltz Travel Service, Inc. v. International Air Transport Association*, 620 F.2d 1360 (9th Cir. 1980); *Occidental Petroleum Corp. v. Buttes Gas & Oil Co.*, 331 F. Supp. 92 (C.D. Cal. 1971) (complaint dismissed), aff'd, 461 F.2d 1261 (9th Cir.) (per curiam), cert. denied, 409 U.S. 950 (1972); *Wall Products Co. v. National Gypsum Co.*, 326 F. Supp. 295 (N.D. Cal. 1971) (evidence of lobbying admissible; posttrial judgment for plaintiff); *United States v. Northern California Pharmaceutical Association*, 235 F. Supp. 378 (N.D. Cal. 1964) (modification of consent decree denied). TENTH CIRCUIT: *Webb v. Utah Tour Brokers Association*, 568 F.2d 670 (10th Cir. 1977) (evidence of lobbying admissible; posttrial judgment for plaintiff affirmed); *In re New Mexico Natural Gas Antitrust Litigation*, 1982-1 Trade Cas. (CCH) ¶ 64,685 (D.N.M.) (summary judgment for defendant denied); *Cow Palace, Ltd. v. Associated Milk Producers, Inc.*, 390 F. Supp. 696 (D. Colo. 1975) (complaint dismissed). DISTRICT OF COLUMBIA CIRCUIT: *Federal Prescription Service, Inc. v. American Pharmaceutical Association*, 663 F.2d 253 (D.C. Cir. 1981) (posttrial judgment for plaintiff reversed), cert. denied, 455 U.S. 923 (1982); *Israel v. Baxter Laboratories, Inc.*, 466 F.2d 272 (D.C. Cir. 1972) (dismissal of complaint vacated); *Association of Western Railways v. Riss & Co.*, 299 F.2d 133 (D.C. Cir.) (posttrial judgment for plaintiffs reversed), cert. denied, 370 U.S. 916 (1962); *Southern Pacific Communications Co. v. American Telephone & Telegraph Co.*, 556 F. Supp. 825 (D.D.C. 1982) (posttrial judgment for defendant), aff'd, 740 F.2d 980 (D.C. Cir. 1984); *United States v. American Telephone & Telegraph Co.*, 524 F. Supp. 1336 (D.D.C. 1981) (directed verdict for defendant on all but

one *Noerr* defense claim); *Brown v. Carr*, 1980-1 Trade Cas. (CCH) ¶ 63,033 (D.D.C. 1979) (summary judgment for defendant denied); *General Aircraft Corp. v. Air America, Inc.*, 482 F. Supp. 3 (D.D.C. 1979) (dismissal of complaint denied); *Financial Analysis Service v. Califano*, 1978-2 Trade Cas. (CCH) ¶ 62,232 (D.D.C.) (summary judgment for defendant); *Bank Building & Equipment Corp. v. National Council of Architectural Registration Boards*, 1975-1 Trade Cas. (CCH) ¶ 60,108 (D.D.C.) (complaint dismissed); *United States v. Morgan Drive Away, Inc.*, 1974-1 Trade Cas. (CCH) ¶ 74,888 (D.D.C.) (dismissal of indictment denied) and 1976-1 Trade Cas. (CCH) ¶ 60,949 (D.D.C.) (consent decree). FEDERAL TRADE COMMISSION: *In re Massachusetts Furniture & Piano Movers Association, Inc.*, 3 Trade Reg. Rep. (CCH) ¶ 22,081 (F.T.C. Sept. 28, 1983) (cease and desist order issued), appeal docketed, No. 83-1892 (1st Cir. Dec. 6, 1983); *In re Michigan State Medical Society*, [1979-1983 Transfer Binder] Trade Reg. Rep. (CCH) ¶ 21,991 (F.T.C. Feb. 17, 1983) (cease and desist order issued).

APPENDIX C

CASES IN WHICH CLAIMS FOUNDED ON THE FILING OF LAWSUITS WERE ASSERTED

FIRST CIRCUIT: *George R. Whitten, Jr., Inc. v. Paddock Pool Builders, Inc.*, 424 F.2d 25 (1st Cir.) (summary judgment for defendants vacated), cert. denied, 400 U.S. 850 (1970); *Codex Corp. v. Racal-Milgo, Inc.*, 1984-1 Trade Cas. (CCH) ¶ 65,853 (D. Mass.) (dismissal of complaint denied); *Classic Film Museum, Inc. v. Warner Brothers*, 523 F. Supp. 1230 (D. Me. 1981) (complaint dismissed); *Manpower, Inc. v. Foley*, 212 U.S.P.Q. (BNA) 445 (D. Mass. 1980) (summary judgment for counterclaim-defendant). SECOND CIRCUIT: *Suburban Restoration Co. v. ACMAT Corp.*, 700 F.2d 98 (2d Cir. 1983) (dismissal of complaint applying *Noerr* under Connecticut law affirmed); *Landmarks Holding Corp. v. Bermant*, 664 F.2d 891 (2d Cir. 1981) (summary judgment for defendants reversed); *Commerce Tankers Corp. v. National Maritime Union*, 553 F.2d 793 (2d Cir.) (summary judgment for counterclaim-defendant reversed), cert. denied, 434 U.S. 923 (1977); *Caplan v. American Baby, Inc.*, 582 F. Supp. 869 (S.D.N.Y. 1984) (motion to dismiss counterclaim stayed pending discovery on basis for counterclaim); *Association of Data Processing Services Organizations, Inc. v. Citibank, N.A.*, 508 F. Supp. 91 (S.D.N.Y. 1980) (counterclaim dismissed); *Town of Massena v. Niagara Mohawk Power Corp.*, 1980-2 Trade Cas. (CCH) ¶ 63,526 (N.D.N.Y.) (posttrial judgment for defendant); *Reaemco, Inc. v. Allegheny Airlines*, 496 F. Supp. 546 (S.D.N.Y. 1980) (complaint dismissed); *Citicorp v. Interbank Card Association*, 478 F. Supp. 756 (S.D.N.Y. 1979) (dismissal of counterclaim denied); *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672 (S.D.N.Y. 1979) ((plaintiff's antitrust defense to defendant's request for permanent injunction barring copyright infringement rejected); *Dominicus Americana Bohio v.*

Gulf & Western Industries, Inc., 473 F. Supp. 680 (S.D. N.Y. 1979) (dismissal of complaint denied); *Wilmorite, Inc. v. Eagan Real Estate, Inc.*, 454 F. Supp. 1124 (N.D. N.Y. 1977) (counterclaim dismissed), aff'd without opinion, 578 F.2d 1372 (2d Cir.), cert. denied, 439 U.S. 983 (1978); *Strategic Marketing Services, Inc. v. Cut & Curl, Inc.*, 1977-2 Trade Cas. (CCH) ¶ 61,788 (D. Conn.) (complaint dismissed); *Mountain Grove Cemetery Association v. Norwalk Vault Co.*, 428 F. Supp. 951 (D. Conn. 1977) (complaint dismissed); *B.A.M. Liquors, Inc. v. Satenstein*, 1976-2 Trade Cas. (CCH) ¶ 60,997 (S.D. N.Y.) (posttrial judgment for plaintiff); *Baltimore & Ohio Railroad Co. v. New York, New Haven & Hartford Railroad Co.*, 196 F. Supp. 724 (S.D.N.Y. 1961) (counterclaim stricken). THIRD CIRCUIT: *Columbia Pictures Industries, Inc. v. Redd Horne Inc.*, 568 F. Supp. 494 (W.D. Pa. 1983) (counterclaim dismissed); *City of Newark v. Delmarva Power & Light Co.*, 497 F. Supp. 323 (D. Del. 1980) (counterclaim dismissed); *Realco Services, Inc. v. Holt*, 479 F. Supp. 880 (E.D. Pa. 1979) (counterclaim dismissed; dismissal of cross-claim denied); *Outboard Marine Corp. v. Pezetel*, 474 F. Supp. 168 (D. Del. 1979) (counterclaim dismissed); *Bethlehem Plaza v. Campbell*, 403 F. Supp. 966 (E.D. Pa. 1975) (complaint dismissed); see *Citizens' Wholesale Supply Co. v. Snyder*, 201 F. 907 (3d Cir.) (judgment for defendant affirmed), cert. denied, 229 U.S. 609 (1913). FOURTH CIRCUIT: *Virginia Academy of Clinical Psychologists v. Blue Shield of Virginia*, 624 F.2d 476 (4th Cir. 1980) (posttrial judgment for defendant vacated and remanded), cert. denied, 450 U.S. 916 (1981); see *AB Iro v. Otex, Inc.*, 566 F. Supp. 419 (D.S.C. 1983) (posttrial judgment for counterclaim-defendant). FIFTH CIRCUIT: *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358 (5th Cir. 1983) (directed verdict for defendant's affirmed); *Associated Radio Services Co. v. Page Airways*, 624 F.2d 1342 (5th Cir. 1980) (evidence of institution of lawsuits relevant; posttrial judgment for

plaintiff affirmed), cert. denied, 450 U.S. 1030 (1981); *Rohm & Haas Co. v. Dawson Chemical Co.*, 557 F. Supp. 739 (S.D. Tex. 1983) (posttrial judgment for counterclaim-defendant); *Picante, Inc. v. Jimenez Food Products, Inc.*, 1982-2 Trade Cas. (CCH) ¶ 64,977 (W.D. Tex.) (dismissal of counterclaim denied); *City of Gainesville v. Florida Power & Light Co.*, 488 F. Supp. 1258 (S.D. Fla. 1980) (counterclaim dismissed). SIXTH CIRCUIT: *City of Cleveland v. Cleveland Illuminating Co.*, 734 F.2d 1157 (6th Cir.) (posttrial judgment for defendant affirmed), cert. denied, 105 S. Ct. 253 (1984); *Taylor Drug Stores, Inc. v. Associated Dry Goods Corp.*, 560 F.2d 211 (6th Cir. 1977) (per curiam) (summary judgment for defendant affirmed); *Transkentucky Transportation Railroad v. Louisville & Nashville Railroad Co.*, 581 F. Supp. 759 (E.D. Ky. 1983) (dismissal of complaint denied); *Consortium, Inc. v. Knoxville International Energy Exposition*, 563 F. Supp. 56 (E.D. Tenn. 1983) (complaint dismissed); *Baxter Travenol Laboratories, Inc. v. LeMay*, 536 F. Supp. 247 (S.D. Ohio 1982) (plaintiff's claims ordered tried before counterclaim alleging complaint was sham); *Chest Hill Co. v. Guttman*, 1981-2 Trade Cas. (CCH) ¶ 64,417 (S.D. Ohio) (summary judgment for defendants); *Johns-Manville Corp. v. Guardian Industries Corp.*, 1981-1 Trade Cas. (CCH) ¶ 64,054 (E.D. Mich.) (counterclaim dismissed); *Rahal v. Crestmont Cadillac Corp.*, 514 F. Supp. 926 (N.D. Ohio 1981) (summary judgment for defendant); *Sage International, Ltd. v. Cadillac Gage Co.*, 507 F. Supp. 939 (E.D. Mich. 1981) (summary judgment for defendant denied); *Pennwalt Corp. v. Zenith Laboratories, Inc.*, 472 F. Supp. 413 (E.D. Mich. 1979) (counterclaim dismissed), appeal dismissed without opinion, 615 F.2d 1362 (6th Cir. 1980); *Clairol, Inc. v. Boston Discount Center*, 1976-2 Trade Cas. (CCH) ¶ 61,108 (F.D. Mich.) (posttrial judgment for counterclaim-defendant), aff'd on other grounds, 608 F.2d 1114 (6th Cir. 1979). SEVENTH CIRCUIT: *Winterland Concessions Co. v. Trela*,

735 F.2d 257 (7th Cir. 1984) (dismissal of counterclaim reversed); *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466 (7th Cir. 1982) (summary judgment for defendant reversed), cert. denied, 103 S. Ct. 2430 (1983); *Bob Layne Contractor, Inc. v. Bartel*, 504 F.2d 1293 (7th Cir. 1974) (summary judgment for defendant affirmed); *Alberto-Culver Co. v. Andrea Dumon, Inc.*, 466 F.2d 705 (7th Cir. 1972) (dismissal of counterclaim affirmed); *Unity Ventures v. County of Lake*, 1984-1 Trade Cas. (CCH) ¶ 65,883 (N.D. Ill. 1983) (dismissal of complaint denied); *Technicon Medical Information Systems Corp. v. Green Bay Packaging, Inc.*, 480 F. Supp. 124 (E.D. Wisc. 1979) (dismissal of counterclaim denied); *City of Mishawaka v. American Electric Power Co.*, 465 F. Supp. 1320 (N.D. Ind. 1979) (posttrial judgment for counterclaim-defendant), aff'd in part and remanded on other grounds, 616 F.2d 976 (7th Cir. 1980), cert. denied, 449 U.S. 1096 (1981); *Loctite Corp. v. Fel-Pro Inc.*, 1978-2 Trade Cas. (CCH) ¶ 62,204 (N.D. Ill.) (counterclaim dismissed); *Cyborg Systems, Inc. v. Management Science America, Inc.*, 1978-1 Trade Cas. (CCH) ¶ 61,927 (N.D. Ill.) (dismissal of complaint denied); *Platt Saco Lowell, Ltd. v. Spindelfabrik Suessen-Schurr*, 1978-1 Trade Cas. (CCH) ¶ 61,898 (N.D. Ill. 1977) (counterclaim dismissed), later proceeding, 208 U.S.P.Q. (BNA) 479 (N.D. Ill. 1980); *Bracken's Shopping Center, Inc. v. Ruwe*, 273 F. Supp. 606 (S.D. Ill. 1967) (complaint dismissed). EIGHTH CIRCUIT: *First American Title Co. v. South Dakota Land Title Association*, 714 F.2d 1439 (8th Cir. 1983) (posttrial judgment for defendant affirmed), cert. denied, 104 S. Ct. 709 (1984); *Alexander v. National Farmers Organization*, 687 F.2d 1173 (8th Cir. 1982) (posstrial judgment for defendant affirmed), cert. denied, 103 S. Ct. 2108 (1983); *S.M. Arnold, Inc. v. Union Carbide Corp.*, 487 F. Supp. 1182 (E.D. Mo. 1980) (counterclaim dismissed); *First National Bank v. Marquette National Bank*, 482 F. Supp. 514 (D. Minn. 1979) (summary judgment for defend-

ant), aff'd, 636 F.2d 195 (8th Cir. 1980), cert. denied, 450 U.S. 1042 (1981); *Central Bank v. Clayton Bank*, 424 F. Supp. 163 (E.D. Mo. 1976) (complaint dismissed), aff'd without opinion, 553 F.2d 102 (8th Cir.), cert. denied, 433 U.S. 910 (1977); *United States v. Empire Gas Corp.*, 393 F. Supp. 903 (W.D. Mo. 1975) (posttrial judgment for defendant), aff'd, 537 F.2d 296 (8th Cir. 1976), cert. denied, 429 U.S. 1122 (1977); see *Deere & Co. v. Farmhand, Inc.*, 560 F. Supp. 85 (S.D. Iowa 1982) (posttrial judgment for counterclaim-defendant), aff'd, 721 F.2d 253 (8th Cir. 1983) (per curiam). NINTH CIRCUIT: *Omni Resource Development Corp. v. Conoco, Inc.*, 739 F.2d 1412 (9th Cir. 1984) (dismissal of complaint affirmed); *Aydin Corp. v. Loral Corp.*, 718 F.2d 897 (9th Cir. 1983) (summary judgment for defendant affirmed); *Miller Brewing Co. v. General Brewing Co.*, Nos. 82-4479, 82-4500 (9th Cir. June 17, 1983) (not for publication) (summary judgment for counterclaim-defendant affirmed); *Wood v. MacDonald Group Ltd.*, No. 82-5563 (9th Cir. March 21, 1983) (not for publication) (dismissal of complaint affirmed); *Energy Conservation, Inc. v. Heliodyne, Inc.*, 698 F.2d 386 (9th Cir. 1983) (dismissal of complaint reversed); *Acquarian Products, Inc. v. DynaClean, Inc.*, No. 80-5925 (9th Cir. April 9, 1982) (not for publication) (dismissal of complaint affirmed); *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250 (9th Cir. 1982) (summary judgment for counterclaim-defendant affirmed); *Anti-Monopoly, Inc. v. General Mills, Inc.*, 684 F.2d 1326 (9th Cir. 1982) (summary judgment for defendant affirmed); *Valerio v. Boise Cascade Corp.*, 645 F.2d 699 (9th Cir. 1981) (per curiam) (summary judgment for defendants affirmed), cert. denied, 454 U.S. 1126 (1981); *Ad Visor, Inc. v. Pacific Telephone & Telegraph Co.*, 640 F.2d 1107 (9th Cir. 1981) (injunction barring prosecution of suits dissolved); *Ernest W. Hahn, Inc. v. Codding*, 615 F.2d 830 (9th Cir. 1980) (dismissal of complaint reversed); *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986 (9th Cir.

1979) (post-trial judgment for plaintiff reversed), cert. denied, 444 U.S. 1025 (1980), case on remand, 743 F.2d 1282 (9th Cir. 1984) (posttrial judgment for plaintiff affirmed), cert. denied, 53 U.S.L.W. 3528 (U.S. Jan. 21, 1985) (No. 84-830); *U.S. Audio & Copy Corp. v. Philips Business Systems Inc.*, 1983-1 Trade Cas. ¶ 65,364 (N.D. Cal.) (summary judgment for counterclaim-defendant denied); *GCA Corp. v. Chance*, 1981-1983 Copyright L. Dec. (CCH) ¶ 25,464 (N.D. Cal. 1982) (counterclaim dismissed); *Ross v. Bremer*, 1982-2 Trade Cas. (CCH) ¶ 64,746 (W.D. Wash.) (summary judgment for defendant denied); *Plumbers & Steamfitters Local 598 v. Morris*, 511 F. Supp. 1298 (E.D. Wash. 1981) (summary judgment for defendants); *Oahu Gas Service, Inc. v. Pacific Resources, Inc.*, 460 F. Supp. 1359 (D. Hawaii 1978) (summary judgment for defendant); *Beltz Travel Service, Inc. v. International Air Transportation Association*, 1974-2 Trade Cas. (CCH) ¶ 75,223 (N.D. Cal.) (summary judgment for defendant), rev'd on other grounds sub nom. *Beltz Travel Service, Inc. v. International Air Transport Association*, 620 F.2d 1360 (9th Cir. 1980). TENTH CIRCUIT: *Hydro-Tech Corp. v. Sundstrand Corp.*, 673 F.2d 1171 (10th Cir. 1982) (dismissal of complaint affirmed); *Adolph Coors Co. v. A & S Wholesalers, Inc.*, 561 F.2d 807 (10th Cir. 1977) (dismissal of counterclaim affirmed); *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285 (10th Cir. 1974) (posttrial judgment for counterclaim-plaintiff reversed), cert. denied, 419 U.S. 1120 (1975); *Gibson v. Greater Park City Co.*, 1984-1 Trade Cas. (CCH) ¶ 65,978 (D. Utah) (summary judgment for defendants); *National Cash Register Corp. v. Arnett*, 554 F. Supp. 1176 (D. Colo. 1983) (dismissal of counterclaim denied); *Sunergy Communities, Inc. v. Aristek Properties, Ltd.*, 535 F. Supp. 1327 (D. Colo. 1982) (summary judgment for defendants denied); *Colorado Petroleum Marketing Association v. Southland Corp.*, 476 F. Supp. 373 (D. Colo.

1979) (dismissal of counterclaim denied); *see In re New Mexico Natural Gas Antitrust Litigation*, 1982-1 Trade Cas. (CCH) ¶ 64,685 (D.N.M.) (summary judgment for defendant denied on claim relating to court-approved settlement). DISTRICT OF COLUMBIA CIRCUIT: *United States v. Morgan Drive Away, Inc.*, 1974-1 Trade Cas. (CCH) ¶ 74,888 (D.D.C.) (dismissal of indictment denied) and 1976-1 Trade Cas. ¶ 60,949 (D.D.C.) (consent decree).

APPENDIX J

CONSTITUTIONAL PROVISIONS AND STATUTE INVOLVED

UNITED STATES CONSTITUTION

Amendment I:

> Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.

Amendment V:

> No person shall be held to answer for a captial, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

SHERMAN ACT

15 U.S.C. § 1:

> Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. Every person who shall make any contract or engage in any combination or conspiracy hereby declared to be

illegal shall be deemed guilty of a felony, and, on conviction thereof, shall be punished by fine not exceeding one million dollars if a corporation, or, if any other person, one hundred thousand dollars, or by imprisonment not exceeding three years, or by both said punishments, in the discretion of the court.